

**LEASE AGREEMENT
FOR THE
TERMINAL 2 RETAIL MARKET AND HARVEY MILK TERMINAL 1
SPECIALTY RETAIL STORES
AT SAN FRANCISCO INTERNATIONAL AIRPORT**

by and between

MRG San Francisco Terminal 2, LLC,
as tenant

and

CITY AND COUNTY OF SAN FRANCISCO
ACTING BY AND THROUGH ITS AIRPORT COMMISSION,
as landlord

London N. Breed
Mayor

AIRPORT COMMISSION

Hon. Larry Mazzola, President
Hon. Eleanor Johns, Vice President
Hon. Richard J. Guggenhime
Hon. Everett A. Hewlett, Jr.
Hon. Malcolm Yeung

Ivar C. Satero
Airport Director

September 2020

Lease No. 20-0156

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Exhibit C-1 – Form of Performance Bond
Exhibit C-2 – Form of Letter of Credit
Exhibit D – Tenant Work Letter [Existing Terminal; Harvey Milk Terminal 1 Phases 3 & 4]

City's Rent San Francisco Airport Commission
Payment Address: Attn: Accounting
P.O. Box 59753
Los Angeles, CA 90074-9753

Overnight Delivery via Courier:
Lockbox LAC-059753
2706 Media Center Drive
Los Angeles, CA 90065

Federal Wire System or ACH:
Bank of America
555 Capitol Mall, Suite 765
Sacramento, CA 95814
Branch Locator #148
Bank Account No: 14997-21907
FedWire Bank ABA: 026-009-593
ACH Bank ABA: 121-000-358
SWIFT code: BOFAUS3N

City's Sales Report SFOConcessReport@flysf.com
Address:

City's San Francisco International Airport
Deposit/Annual Attn: Revenue Development and Management
Report Notice 575 N. McDonnell Road, Suite 3-329
Address: P. O. Box 8097
San Francisco, CA 94128
Fax No. (650) 821-4519
Tel. No. (650) 821-4500

Premises: Three facilities in the Domestic Terminals at the San Francisco International
(§ 1) Airport (the "**Premises**") as described on the attached Exhibit A:
1. Retail Market – Space No. D.2.209, in Terminal 2, Boarding Area D
comprised of approximately 4,720 square feet,
2. Specialty Retail A – Space No. T1.2.139 in Harvey Milk Terminal 1,
Boarding Area B, comprised of approximately 1,219 square feet
3. Specialty Retail B – Space No. T1.2.138 in Harvey Milk Terminal 1,
Boarding Area B, comprised of approximately 976 square feet

Relevant Boarding Boarding Areas B and D
Area:
(§ 4.16)

Term: The Development Term, plus a twelve (12) year Operating Term, collectively.
(§ 2)

Development Term is the period commencing on the Commencement Date and ending at 11:59 p.m. on the day prior to the Rent Commencement Date for the *last* Facility delivered to Tenant by City (the “**Full Rent Commencement Date**”).

Operating Term is the period commencing on the earlier to occur of: (a) the Full Rent Commencement Date and (b) the first day of the calendar month following the six (6) month anniversary of the Commencement Date, and ending on the Expiration Date.

Commencement Date: The date on which the Airport Director gives notice to Tenant that the Premises (or *first* Facility if the Premises are comprised of more than one Facility) are ready for Tenant to take possession.
(§ 2.1)

(actual date to be inserted upon determination)

Rent for Interim Operations During Construction Period: In the event Tenant desires to operate a temporary Facility during the construction of its Initial Improvements for such Facility, Tenant shall pay Sixteen Percent (16%) of Gross Revenues as Base Rent during such period (the “**Construction Period Percentage Rent**”).
(§ 4.4)

Rent Prior to Rent Commencement Date: In the event Tenant completes its improvements and opens for business prior to the Rent Commencement Date for such Facility, Base Rent will be greater of the Percentage Rent or a pro-rated MAG based on a thirty (30) day month.
(§ 4.5)

In the event Tenant is improving more than one Facility, upon the Rent Commencement Date for the first and each successive Facility, Base Rent will be the greater of the Percentage Rent or a pro-rated MAG based on the percentage of each such Facility’s square footage against the total square footage of the Premises.

Rent Commencement Date: (§ 4) For each Facility, the earlier of: (a) the first day of the first calendar month following the date on which the Initial Improvements (as defined below) are substantially complete and Tenant opens for business therein, and (b) the first day of the first calendar month following the date that is 120 days after the Commencement Date, subject to the following:

In the event City simultaneously delivers more than one Facility to Tenant, Tenant shall have an additional thirty (30) days to complete its Initial Improvements for each additional Facility, such that Tenant will have one hundred fifty (150) days to complete its Initial Improvements for the second Facility, one hundred eighty (180) days for the third Facility and no more than one hundred eighty (180) days for the fourth and each additional Facility. Actual Dates (to be inserted upon determination):

<u>Facility</u>	<u>Delivery Date</u>	<u>Rent Commencement Date</u>
<u>D.2.209</u>		
<u>T1.2.138</u>		
<u>T1.2.139</u>		

Full Rent Commencement Date: _____

Expiration Date: (§ 2) 11:59 p.m. on the day before the twelfth (12th) anniversary of the commencement of the Operating Term.

(actual date to be inserted upon determination)

Reference Year: (§ 4.16) The calendar year immediately prior to the year in which this Lease is awarded: _____.

Permitted Use: (§ 3) The operation of the following facilities (each a “**Facility**” and collectively, the “**Facilities**”), on a non-exclusive basis, as described on the attached Exhibit B:

1. Space No. D.2.209, in Terminal 2, Boarding Area D – Retail Market
2. Space No. T1.2.139 in Harvey Milk Terminal 1, Boarding Area B – Specialty Retail A
3. Space No. T1.2.138 in Harvey Terminal 1, Boarding Area B – Specialty Retail B

Base Rent: Per Lease Year (as defined below), the greater of the MAG (as defined below) or the following sum (such sum being referred to herein as the “**Percentage Rent**”):
(§ 4)

- (a) 12% of Gross Revenues (as defined below) achieved up to and including \$2,500,000.00, plus,
- (b) 14% of Gross Revenues achieved from \$2,500,000.01 up to and including \$5,000,000.00, plus,
- (c) 16% of Gross Revenues achieved over \$5,000,000.00.

(The Gross Revenues from all facilities comprising the Premises will be aggregated.)

Lease Year: The period commencing on the first Rent Commencement Date and terminating on December 31 of the year in which the first Rent Commencement Date occurs, and each subsequent 12-month period except that the final Lease Year be less than 12 months.
(§ 2)

Minimum Annual Guarantee (“MAG”): Two Million Three Hundred Thousand Dollars (\$2,300,000.00) per annum; (One Hundred Ninety-One Thousand Six Hundred Sixty-Six Dollars and Sixty-Seven cents (\$191,666.67) per month), (a) subject to adjustments upward as described below and (b) suspension and reinstatement under certain circumstances as described herein.
(§ 4)

MAG Adjustment Date: The first MAG adjustment shall occur on January 1st following the first full Lease Year and every January 1st thereafter.
(§ 4.3)

(to be inserted upon determination)

Rent: Base Rent, together with all other amounts owing by Tenant to City hereunder.
(§ 4)

Deposit Amount: Equal to one-half (1/2) of the initial MAG (subject to mid-term adjustment).
(§ 13)

Minimum Investment Amount: Seven Hundred Dollars (\$700.00) per square foot of the Premises, which equals Four Million Eight Hundred Forty Thousand and Five Hundred Dollars (\$4,840,500.00). Tenant may spend less than said amount provided it complies with the Airport’s Concessions Design Guidelines and receives Design Review Committee approval.
(§ 7.1)

Promotional Charge: One Dollar (\$1.00) per square foot per annum of the Premises which equals Six Thousand Nine Hundred and Fifteen Dollars (\$6,915.00).
(§ 11)

Pest Control Services Fee: Seventy-five Dollars (\$75.00) per month, subject to adjustment as described herein.
(§ 9.4)

Resolution: Number 20-0156, approved by the Airport Commission on September 15, 2020.

Initial Tenant Representative: Michael C. Wilkins
Tel. No. (702) 949-8787
(§ 3.11)

Other Agreements: Lease 18-0206
(§ 13.5) Lease 18-0368
Lease 16-0256

Exhibits: A – Premises
B – Use and Operational Requirements
C-1 – Form of Performance Bond
C-2 – Form of Letter of Credit
D – Tenant Work Letter

All such exhibits are incorporated into this Lease and made a part hereof.

Initial of Authorized Representative of City *JK* *Jan 15*
JKS

Initial of Authorized Representative of Tenant *Michael C. Wilkins*

**LEASE AGREEMENT
FOR THE
TERMINAL 2 RETAIL MARKET AND HARVEY MILK TERMINAL 1
SPECIALTY RETAIL STORES
AT SAN FRANCISCO INTERNATIONAL AIRPORT**

THIS LEASE AGREEMENT (this “**Lease**”), dated as of the Effective Date, is entered into by and between Tenant, and the City and County of San Francisco, a municipal corporation, acting by and through its Airport Commission (“**City**”). This Lease is made with reference to the following facts:

A. City owns the San Francisco International Airport (the “**Airport**”) located in the County of San Mateo, State of California, which Airport is operated by and through the Airport Commission (the “**Commission**”), the chief executive officer of which is the Airport Director (“**Director**”). The Airport’s “Terminal Building Complex” is currently comprised of Terminal 1, Terminal 2, Terminal 3, and an International Terminal, together with connecting concourses, piers, boarding areas and extensions thereof, and satellite buildings now or hereafter constructed. Tenant acknowledges that, from time to time, the Airport undergoes certain construction and renovation projects. Unless otherwise specified, the term “Airport” or “Terminal Building Complex” as used herein shall mean the Airport or the Terminal Building Complex, respectively, as the same may be expanded, contracted, improved, modified, renovated, or changed in any way. Unless otherwise specified below, references to the “City” shall mean the City, acting by and through its Airport Commission.

B. Tenant desires to provide and operate the service described in the Permitted Use at the Airport, and City has determined that such service would be an accommodation and convenience for airline passengers and the public using the Terminal Building Complex or the Airport.

C. Following a competitive process, pursuant to Section 2A.173 of the San Francisco Administrative Code, the Commission has determined that Tenant is the highest or best responsible bidder or proposer. Pursuant to the Resolution, Commission has awarded this Lease to Tenant.

Accordingly, Tenant and City agree as follows:

1. PREMISES

1.1 Extent of Leasehold. On the terms, conditions, and covenants in this Lease, City hereby leases to Tenant and Tenant hereby leases from City, the Premises. In addition, Tenant shall possess the non-exclusive right of ingress and egress to and from the Premises as may be necessary on areas designated by Director, subject to Airport Rules and Regulations, as amended from time to time (as amended, the “**Airport Rules**”), provided that Tenant’s exercise of such right shall not impede or interfere unduly with the operation of the Airport by City, its tenants, customers, and other authorized occupants. Tenant shall not place or install any racks, stands or other display of merchandise or trade fixtures in any Airport property outside the Premises, without the express prior consent of Director. In no event will Tenant engage in any activity on the Airport outside the Premises for the recruitment or solicitation of business. For purposes of this Lease relating to Tenant’s responsibilities, the “**Premises**” shall mean the area(s) shown on Exhibit A, where (a) the exact boundaries are deemed to be three inches (3”) inside each wall separating the Premises from the adjacent premises or the external Terminal wall, and (b) with respect to the facade and/or wall on the front of the Premises, separating the Premises from the Terminal common areas, the exact boundary is deemed to be the external face of the facade and/or wall.

contractors, subcontractors, and material suppliers entitled to payment in connection with the expansion/contraction work. Following its review and approval of those submissions, City will reimburse Tenant for all reasonable costs of the expansion/contraction work; provided that in no event will City be required to reimburse Tenant for more than the Maximum Reimbursement Amount and further provided that City may, in City's sole discretion, make such reimbursement by issuing Tenant a rent credit. In no event will City be obligated to pay or reimburse Tenant for any other costs or expenses, including business interruption costs.

(d) With respect to a Required Relocation, the Minimum Annual Guarantee shall be increased, or decreased, as the case may be, pro rata, to reflect the increase or decrease, as the case may be, in the size of the replacement premises compared to the original premises.

(e) With respect to a Premises Change where the aggregate square footage of the original premises will be expanded or contracted by more than ten percent (10%), the Minimum Annual Guarantee shall be increased, or decreased, as the case may be, pro rata to reflect the increase or decrease, as the case may be, in the size of the expanded or contracted premises compared to the original premises.

(f) Any Required Relocation or Premises Change described herein can be effected on the terms and conditions set forth above without need for a formal amendment of this Lease.

(g) Notwithstanding anything to the contrary herein, City shall not require a Required Relocation or a Premises Change unless City shall have considered other reasonable alternatives and rejected them.

1.3 Remeasurement of Premises. At any time and from time to time, Director may cause City to conduct a space audit pursuant to which City remeasures the Premises using the Airport's then-current measurement specifications, and in such event, the Lease terms based on square footage shall be deemed automatically adjusted to reflect such remeasurement. Only if such remeasurement results in a change in the total square footage of the Premises of more than ten percent (10%) will the Minimum Annual Guarantee be adjusted to reflect such remeasurement.

1.4 Changes to Airport. Tenant acknowledges and agrees that City shall have the right at all times to change, alter, expand, and contract the Airport, including the Terminal Building Complex, and that City has made no representations, warranties, or covenants to Tenant regarding the design, construction, pedestrian traffic, enplanements, airline locations, or views of the Airport or the Premises. Without limiting the generality of the foregoing, Tenant acknowledges and agrees that the Airport is currently undergoing, and may from time to time hereafter undergo, renovation, construction, and other Airport modifications, and may from time to time adopt rules and regulations relating to security and other operational concerns that may affect Tenant's business. Although City will use reasonable efforts to minimize the effect of such changes on Tenant's business, Tenant acknowledges that such activity may have some effect on its operations located at the Airport. Such construction and renovation programs might involve barricading, materials storage, noise, the presence of workers and equipment, rearrangement, utility interruptions, and other inconveniences normally associated with construction and renovation. Although City will use reasonable efforts to minimize the effect of such changes on Tenant's business, Tenant acknowledges that such activity may have some effect on its operations located at the Airport, and Tenant shall not be entitled to any rent credit or other compensation therefor. At any time and from time to time, City may, without the consent of Tenant, and without affecting Tenant's obligations under this Lease, at City's sole discretion, (a) change the shape, size, location, number and extent of the improvements in any portion of the Airport, including without limitation the concourses, piers, boarding areas, concession areas and security areas located within the Terminal Building, (b) build

Facility from the Lease, exercisable by notice to Tenant. In the event the applicable Facility is removed from the Lease, any Rent components based on square footage shall be reduced accordingly. Tenant shall be liable for all damages associated with such termination or removal, including City's releasing costs.

2.4 Delivery Delay by City. If for any reason (including, without limitation, the existing tenant's failure to vacate timely the Premises) City cannot deliver possession of the Premises to Tenant on the Commencement Date, this Lease shall remain in effect, City shall not be subject to any liability, and such failure shall not extend the Term hereof. In such event, and provided such delay is not caused by the act or omission of Tenant, or Tenant's principal, affiliate, contractor, employee, agent, licensee or invitee (a "**Tenant Entity**"), the Rent Commencement Date shall be extended day for day to reflect such delay. After the Rent Commencement Date has occurred, upon Director's request, Tenant will execute a written acknowledgment of the Commencement Date and the Rent Commencement Date. In the event Tenant fails to execute and return promptly such acknowledgment to City, the dates described therein shall be deemed conclusive.

2.5 City's Right to Extend. *Term Left blank by agreement of the parties)*

2.6 Holding Over. If, without objection by City, Tenant holds possession of the Premises after the Expiration Date, Tenant shall become a tenant from month to month, upon the terms of this Lease except that, the MAG shall not be applicable, and Base Rent shall be the Percentage Rent specified in the Summary during any such holdover period. No such holdover shall be deemed to operate as a renewal or extension of the Term. Such month-to-month tenancy may be terminated by City or Tenant by giving thirty (30) days' notice of termination to the other at any time. Tenant shall have no rights to renew or extend the Term of this Lease.

2.7 Early Lease Termination.

Notwithstanding the Lease provisions herein, the Director, in his sole and absolute discretion, has the authority to terminate the Lease during the Operating Term if the use of the space is required in support of the Airport's Five-Year or Ten-Year Capital Plan, as published annually (the "**Early Lease Termination**"). In the event the Director exercises this Early Lease Termination, the Airport shall provide Tenant with six (6) months' written notice of the termination date of the Lease, upon which the Lease shall terminate and Tenant shall vacate the Premises in accordance with applicable Lease provisions contained herein.

Under this provision only, Tenant is entitled to a Lease buy-out and no other monetary payment under this Lease, at law or at equity. The buy-out is computed as the unamortized investment in "hard construction costs" as defined further in Lease Section 7.1 [Minimum Investment]. In the absence of "hard construction costs," the required Minimum Investment Amount will be used. The amortization is based on a straight-line method as applied to the Operating Term. An example of the buy-out computation is as follows: Tenant invests \$500,000 in hard construction costs and has a five year Operating Term, and one two-year Extension Option. During the Operating Term and with two lease years remaining of the Operating Term, the Director exercises the Early Lease Termination provision. Using the straight line method for amortization, the buy-out to Tenant shall be \$200,000 (\$500,000 divided by 5 years multiplied by two lease years remaining of the term).

3. USE AND OPERATION

3.1 Permitted Use. Tenant shall use the Premises for the Permitted Use and for no other purpose. Tenant shall, at all times, operate the Premises in strict conformance with the Permitted Use attached as Exhibit B herein. In the event Tenant desires to use the Premises for any purpose other than

Tenant in the Premises, nor will Tenant do or permit anything in connection with Tenant's business or advertising which in the judgment of City may reflect unfavorably on City or the Airport, or confuse or mislead the public as to the relationship between City and Tenant.

3.8 Other Operational Requirements.

(a) Tenant must keep the display cases and windows within the Premises presentable, clean, and suitably illuminated at all times.

(b) Tenant must dispose of all trash and debris in areas and in containers designated by Director. If City provides common trash areas, Tenant may request a permit to use the same for a charge determined by Director from time to time. Tenant may not place or leave or permit to be placed or left in or upon any part of the common areas or corridors adjacent to the Premises any garbage, debris or refuse.

(c) City shall have the right to implement a consolidated distribution center for delivery of merchandise to Tenant. If City elects to implement such a consolidated distribution center, Tenant must use the service and pay any associated fees.

(d) Tenant acknowledges that the operational requirements of the Airport as an airport facility, including without limitation security requirements, are of paramount importance. Tenant acknowledges and agrees that it must conduct its business in a manner that does not conflict with the operational requirements of the Airport as an airport facility and that fully accommodates those requirements. Without limiting other waivers herein, Tenant waives all claims for any Losses arising out of or connected to the operation of the Airport as an airport facility. Without limitation on the foregoing, Tenant must:

- (i) comply with the Airport Rules;
- (ii) cause all deliveries and dispatches of merchandise, supplies, fixtures, equipment and furniture to be made and conveyed to or from the Premises by means and during hours established by Director in Director's sole discretion. City has no responsibility regarding the delivery or dispatch of Tenant's merchandise, supplies, fixtures, equipment and furniture. Tenant may not at any time park its trucks or other delivery vehicles in common areas; and
- (iii) not park within the parking areas of the Airport except in those areas, if any, designated by City pursuant to permits obtained from the Airport's Permit Bureau. Nothing herein shall imply that Tenant shall be able to secure any on-Airport parking privileges.

3.9 Prohibited Activities. Without limiting any other provision herein, Tenant shall not, without the prior written consent of Director: (a) use or permit the use of the Premises for the conduct of an outlet store or a second-hand store; (b) advertise any distress, fire, bankruptcy, liquidation, relocation, closing, or going-out-of-business sales; (c) use or permit the use on the Premises of any pinball machines, videogames, or other devices or equipment for amusement or recreation, or any vending machines, newspaper racks, pay telephones, or other coin, token, or credit card-operated devices; (d) cause or permit anything to be done in or about the Premises, or bring or keep anything thereon, which might (i) increase in any way the rate of fire insurance on the Terminal Building Complex or any of its contents; (ii) create a nuisance; (iii) in any way obstruct or interfere with the rights of others in the Terminal Building Complex or injure or annoy them; (e) commit or suffer to be committed any waste upon the Premises; (f) use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose; (g) place

regulations with respect thereto (the “**ADA**”) (including, without limitation, the requirements under the ADA for the purposes of “public accommodations”, as that term is used in the ADA), the provisions of Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. Section 794 et seq.) and any governmental regulations with respect thereto, Title 24 of the California Administrative Code, all Environmental Laws, the Airport Rules, the Tenant Improvement Guide (including any design criteria) as the same may be amended from time to time (the “**TI Guide**”), and the requirements referenced in Section 19 [City and Other Governmental Provisions] hereof.

4. RENT

4.1 Definitions. For purposes of this Lease, the following capitalized terms shall have the following meanings:

(a) “**Gross Revenues**” means:

- (i) The retail price of all merchandise sold and services rendered in, on, about or from the Premises or from such other locations on the Airport where Tenant operates, whether through a subtenant, concessionaire, or by any other person or entity herein permitted, to include catering and internet sales, as permitted herein, and any other receipts, credits, rebates, allowance or revenues of any type arising out of or in connection with Tenant’s operations at the Premises, regardless of where or by whom any such merchandise is prepared, whether such sales be for cash or on credit, and in case of sales on credit, whether or not payment is actually made; provided, however, that in the event merchandise is returned by a customer and the sale is canceled, the selling price shall be excluded; plus,
- (ii) The full amount of all deposits forfeited by customers in connection with any business of Tenant in, on, about or from the Premises; plus,
- (iii) The full amount of all orders for goods or services accepted by Tenant in, on, about or from the Premises, whether or not to be filled or performed at any other place, and the full amount of all orders accepted by Tenant elsewhere, but to be filled or performed in, on, about or from the Premises or from such other locations on the Airport where Tenant operates. In determining Gross Revenues, retail sales taxes shall not be included; plus,
- (iv) The retail price of all merchandise orders placed on the Premises from Tenant’s catalog; plus,
- (v) Branding fees, marketing fees, merchandising fees, promotional allowances, retail display allowances (RDA) and any type of ancillary advertising or product placement fees/allowances arising out of or in connection with Tenant’s operations at the Premises.

The following shall not be included in Gross Revenues:

- (i) Any exchange of merchandise between facilities of Tenant where such exchange is made solely for the convenient operation of Tenant’s business and not for the purpose of consummating a sale made in, at or from the demised

(d) All Rent shall be paid in lawful money of the United States, free from all claims, demands, setoffs, or counterclaims of any kind.

(e) Any Rent not paid when due shall be subject to a service charge equal to the lesser of the rate of one and one-half percent (1½%) per month, and the maximum rate permitted by law. Acceptance of any service charge shall not constitute a waiver of Tenant's default on the overdue amount or prevent City from exercising any of the other rights and remedies available to City.

4.3 Adjustments to Minimum Annual Guarantee. On each MAG Adjustment Date, the Minimum Annual Guarantee will be adjusted such that the Minimum Annual Guarantee with respect to the upcoming Lease Year shall be increased to equal the following amount:

$$\text{MAG} \quad \times \quad \frac{\text{Comparison Index}}{\text{Base Index}}$$

Notwithstanding anything to the contrary herein, in no event will the Minimum Annual Guarantee for any Lease Year be lower than the Minimum Annual Guarantee with respect to the prior Lease Year.

4.4 Construction Period Operations. In the event Tenant desires to operate and conduct operations constituting the Permitted Use in a temporary facility prior to substantial completion of the Initial Improvements and the Rent Commencement Date, then prior to the Commencement Date, Tenant shall give notice thereof to Director requesting Director's approval of such interim operations. Such notice shall specify the nature of such operations, including the proposed area for such operations, the hours of such operations, and the inventory to be offered for sale. Director shall have the right to grant or deny such approval in Director's sole and absolute discretion. In the event Director grants approval of such interim operations, then such operations shall be on such terms and conditions required by Director, including: (a) Director may revoke Director's approval at any time, and following such revocation, Tenant must immediately cease such operations until the Rent Commencement Date; (b) Such interim operations may be conducted only in the area designated by Director; (c) Tenant's responsibilities and liabilities with respect to such designated area shall be the same responsibilities and liabilities that Tenant has with respect to the Premises, except that Tenant shall not be obligated to perform the Initial Improvements or any other Alterations on such designated area; (d) As Base Rent for the interim period, Tenant shall pay to City the Construction Period Percentage Rent identified in the Summary based on Gross Revenues achieved from such designated area during each month of such interim period. All such rent shall be due and payable on the twentieth (20th) day of the month following each month of operation, and otherwise as provided in Section 4 of the Lease. Tenant shall report all Gross Revenues achieved during such interim period and such Gross Revenues shall not be included as Gross Revenues for the purposes of calculation of Base Rent following the Rent Commencement Date; and (e) Tenant shall be solely responsible for making the designated area useable for Tenant's interim operations, and for protecting such area from construction and other activities in the Premises. At Director's request, Tenant shall restore such area to the condition existing prior to Tenant's use thereof.

4.5 Rent Prior to Rent Commencement Date. In the event Tenant completes its improvements and opens for business prior to the Rent Commencement Date, Base Rent will be greater of the Percentage Rent or a pro-rated MAG based on a thirty (30) day month. In the event this Lease covers more than one Facility, upon the Rent Commencement Date for the first and each successive Facility, Base Rent will be the greater of the Percentage Rent or a pro-rated MAG based on the percentage of each such Facility's square footage against the total square footage of the Premises. For example, if the aggregate square footage of the Premises equals 1,000 square feet, and the newly constructed Facility equals 500 square feet, the pro-rated MAG will be fifty percent (50%) of the total MAG, since 500 square

4.9 Books and Records; Audit Rights.

(a) Tenant shall maintain for a period of five (5) years after the Expiration Date, or, in the event of a claim by City, until such claim of City for payments hereunder shall have been fully ascertained, fixed and paid, separate and accurate daily records of Gross Revenues, whether for cash, credit, or otherwise. Tenant must require each subtenant, concessionaire, licensee, and assignee to maintain the same records. All such books and records shall be kept in accordance with "generally accepted accounting principles," consistently applied, showing in detail all business done or transacted in, on, about or from or pertaining to the Premises, and Tenant shall enter all receipts arising from such business in regular books of account, and all entries in any such records or books shall be made at or about the time the transactions respectively occur. The books and source documents to be kept by Tenant must include records of inventories and receipts of merchandise, daily receipts from all sales and other pertinent original sales records and records of any other transactions conducted in or from the Premises by all persons or entities conducting business in or from the Premises. Pertinent original sales records include: (i) cash register tapes, including tapes from temporary registers, (ii) serially pre-numbered sales slips, (iii) the original records of all mail and telephone orders at and to the Premises, (iv) settlement report sheets of transactions with subtenants, concessionaires, licensees and assignees, (v) original records indicating that merchandise returned by customers was purchased at the Premises by such customers, (vi) memorandum receipts or other records of merchandise taken out on approval, (vii) detailed original records or any exclusions or deductions from Gross Revenues, (viii) sales tax records, and (ix) all other sales records, if any, that would normally be examined by an independent accountant pursuant to generally accepted auditing standards in performing an audit of Gross Revenues. Tenant must keep the required books, source documents and records of Gross Revenues available for inspection by City and its agents and employees at the Premises or at another location within the continental United States at all times during regular business hours. In addition, Tenant shall maintain monthly and annual reports of Gross Revenues derived from its operation under this Lease, using a form and method as is directed by Director. Such forms and methods shall be employed by Tenant throughout the term of this Lease. Upon Director's written request, Tenant shall make available immediately to City and/or its auditors any and all books, records and accounts pertaining to its operations under this Lease. The intent and purpose of the provisions of this section are that Tenant shall keep and maintain records which will enable City and City's Controller to ascertain, determine and audit, if so desired by City, clearly and accurately, Gross Revenues achieved, and the adequacy of the form and method of Tenant's reporting thereof.

(b) Should any examination, inspection, and audit of Tenant's books and records by City disclose an underpayment by Tenant of the total Base Rent due, Tenant shall promptly pay to City such deficiency, and if such deficiency exceeds two percent (2%) of the total Base Rent due, Tenant shall also promptly reimburse City for all costs incurred in the conduct of such examination, inspection, and audit. Further, should any examination, inspection, and audit of Tenant's books and records by City disclose an underpayment by Tenant of the total Base Rent due and such deficiency exceeds five percent (5%) of the total Base Rent due, City shall have the right to terminate this Lease. In the event that City deems it necessary to utilize the services of legal counsel in connection with collecting the reimbursement for such examination, inspection, and audit, then Tenant shall reimburse City for reasonable attorneys' fees and litigation expenses as part of the aforementioned costs incurred.

4.10 Other Reports and Submissions. Tenant shall furnish City with such other financial or statistical reports as Director or his/her representative from time to time may reasonably require. Upon request by Director, Tenant shall furnish to City copies of its quarterly California sales and use tax returns covering the Premises operations as well as that pertinent portion of both the California and Federal income tax returns and possessory interest tax returns on the Premises operations at the time of filing, and any amendments thereto. All copies of such returns must be certified as exact copies of the original

4.16 Severe Decline in Enplanements.

(a) Defined Terms. For purposes of this Section, the following capitalized terms shall have the following meanings:

- (i) “**Relevant Boarding Area**” shall have the meaning given it in the Summary.
- (ii) “**Enplanements**” shall mean the total number of passengers boarding airline carriers. For purposes of this Section 4.14, all Enplanement comparisons shall be done by Relevant Boarding Area.
- (iii) “**Reference Month(s)**” shall mean the corresponding month in the Reference Year.
- (iv) “**Reference Year**” shall have the meaning given it in the Summary.
- (v) “**Percentage Rent**” shall have the meaning given it in the Summary.
- (vi) “**Severe Decline in Enplanements for Three Months**” shall mean that the actual Enplanements achieved during a one-month period is less than 80% of the actual Enplanements of the same Reference Month in the Reference Year, and such shortfall continues for three (3) consecutive months.
- (vii) “**Enplanement Stabilization for Two Months**” means that actual Enplanements for a particular month equals or exceeds 80% of the actual Enplanements of the same Reference Month in the Reference Year, and such threshold is achieved for two (2) consecutive months.

(b) MAG Suspension. If at any time during the term, there is a Severe Decline in Enplanements for Three Months, then the MAG shall be temporarily suspended as follows:

- (i) The MAG suspension shall be effective on the first day of the month immediately following the Severe Decline in Enplanements for Three Months.
- (ii) During such MAG suspension period, Tenant shall be required to pay only the Percentage Rent, unless and until the MAG is reinstated as provided below. On or before the 20th day of each month, Tenant will submit to City a Sales Report showing Tenant’s Gross Revenues achieved with respect to the prior month, together with the Percentage Rent calculated on such Gross Revenues, cumulated by Lease Year.
- (iii) If the Lease provides that the Percentage Rent is based on a tiered gross revenue structure, for purposes of determining the Percentage Rent payable, the annual Gross Revenues shall continue to cumulate as provided in the Lease. For example, if Tenant’s Lease Year is November 1 through October 31, then for purposes of calculating Percentage Rent for April 2003, all gross revenues achieved to date (from November 1 through April 30) will be cumulated.

Assume further that actual Enplanements for Boarding Area F by Reference Month for 2005 are as follows:

	<u>Jan</u> <u>2005</u>	<u>Feb</u> <u>2005</u>	<u>Mar</u> <u>2005</u>	<u>Apr</u> <u>2005</u>	<u>May</u> <u>2005</u>	<u>Jun</u> <u>2005</u>	<u>Jul</u> <u>2005</u>	<u>Aug</u> <u>2005</u>	<u>Sep</u> <u>2005</u>	<u>Oct</u> <u>2005</u>	<u>Nov</u> <u>2005</u>	<u>Dec</u> <u>2005</u>
Enp (‘000)	900	900	700	700	800	800	900	1100	700	800	700	800
% of Ref. Month	112.5	112.5	87.5	77.8	72.2	72.2	69.2	91.7	63.6	88.9	87.5	88.9

(j) Then, there occurs a Severe Decline in Enplanements for Three Months with respect to the months April 2005 – June 2005, and the MAG shall be suspended effective July 1, 2005. There occurs an Enplanement Stabilization for Two Months with respect to the months October 2005 – November 2005, and the MAG shall be reinstated effective December 1, 2005.

5. ASSIGNMENT OR SUBLETTING

5.1 No Assignment. Tenant shall not assign, sublet, encumber, or otherwise transfer, whether voluntary or involuntary or by operation of law, the Premises or any part thereof, or any interest herein, without City’s prior written consent, which consent may be granted or denied in City’s sole and absolute discretion (the term “**Transfer**” shall mean any such assignment, subletting, encumbrance, or transfer). City’s consent to one Transfer shall not be deemed a consent to subsequent Transfers. Any Transfer made without City’s consent shall constitute a default hereunder and shall be voidable at City’s election. Notwithstanding or limiting the foregoing, the City will allow a Tenant, including an individual or entity with any level of ownership in an Airport tenancy, to hold a maximum of eight (8) retail or food and beverage, or a combination therein, leases at the Airport at any given time. This policy does not include subleases. Any transfer made without the City’s consent shall constitute a default hereunder and shall be voidable at the City’s election.

5.2 Changes in Tenant. The merger of Tenant with any other entity or the transfer of any controlling ownership interest in Tenant, or the assignment or transfer of a substantial portion of the assets of Tenant, whether or not located on the Premises, shall constitute a Transfer. Without limiting the generality of the foregoing, if Tenant is a partnership, a withdrawal or change, voluntary, involuntary or by operation of law of the partner or partners owning twenty-five percent (25%) or more of the partnership, or the dissolution of the partnership, or the sale or transfer of at least twenty-five percent (25%) of the value of the assets of Tenant, shall be deemed a Transfer. If Tenant is a corporation or limited liability company, any dissolution, merger, consolidation or other reorganization of Tenant, or the sale or other transfer of a controlling percentage of the capital stock or membership interests of Tenant, or the sale or transfer of at least twenty-five percent (25%) of the value of the assets of Tenant, shall be deemed a Transfer. The phrase “**controlling percentage**” means the ownership of, and the right to vote, stock or interests possessing at least twenty-five percent (25%) of the total combined voting power of all classes of Tenant’s capital stock or interests issued, outstanding and entitled to vote for the election of directors. Without limiting the restrictions on asset transfers, this paragraph shall not apply to stock or limited liability company interest transfers of corporations or limited liability companies the stock or interests of which is traded through an exchange or over the counter.

5.3 No Release. In no event will City’s consent to a Transfer be deemed to be a release of Tenant as primary obligor hereunder.

(a) Tenant recognizes and understands that this Lease may create a possessory interest subject to property taxation and that Tenant may be subject to the payment of property taxes levied on such interest. Tenant further recognizes and understands that any Transfer permitted under this Lease and any exercise of any option to renew or other extension of this Lease may constitute a change in ownership for purposes of property taxation and therefore may result in a revaluation of any possessory interest created hereunder. Tenant shall pay all taxes of any kind, including possessory interest taxes, that may be lawfully assessed on the leasehold interest hereby created and to pay all other taxes, excises, licenses, permit charges and assessments based on Tenant's usage of the Premises, all of which shall be paid when the same become due and payable and before delinquency.

(b) Tenant shall report any Transfer, or any renewal or extension hereof, to the County of San Mateo Assessor within sixty (60) days after such Transfer transaction, or renewal or extension. Tenant further agrees to provide such other information as may be requested by the City to enable the City to comply with any reporting requirements under applicable law with respect to possessory interests and any applicable rules and regulations of the Internal Revenue Service and the Securities and Exchange Commission in connection with any tax-exempt Airport revenue bonds financing the property leased to Tenant hereunder. Tenant agrees to make an irrevocable election not to claim depreciation or an investment credit with respect to any property leased hereunder.

6.2 Other Liens. Tenant shall not permit or suffer any liens to be imposed upon the limitation, mechanics', material suppliers' and tax liens, as a result of its activities without promptly discharging the same. Notwithstanding the foregoing, Tenant may in good faith contest any such lien if Tenant provides a bond in an amount and form acceptable to City in order to clear the record of any such liens. Tenant shall assume the defense of and indemnify and hold harmless City against any and all liens and charges of any and every nature and kind which may at any time be established against said premises and improvements, or any part thereof, as a consequence of any act or omission of Tenant or as a consequence of the existence of Tenant's interest under this Lease.

7. INVESTMENTS; ALTERATIONS

7.1 Minimum Investment. Prior to the Rent Commencement Date, Tenant, at Tenant's sole cost and expense, shall refurbish, redecorate and modernize the interiors and exteriors of the Premises, and otherwise complete the initial improvements necessary and appropriate to commence operations in the Premises (the "**Initial Improvements**"), at a minimum cost of the Minimum Investment Amount or less than said amount provided Tenant complies with the Concessions Design Guidelines and receives Design Review Committee approval. As-Built drawings of fire sprinkler and fire alarm systems must be submitted to Building Inspection and Code Enforcement ("**BICE**") in AUTOCAD ".DWG" format within 30 days of issuance of a Temporary Certificate of Occupancy (TCO). Within ninety (90) days after substantial completion of the Initial Improvements, Tenant must provide to City an AUTOCAD file and an electronic PDF file in accordance with the requirements as specified in the Tenant Improvement Guide and an affidavit, signed under penalty of perjury by both Tenant *and* Tenant's general contractor, architect or construction manager, stating the hard construction costs paid by Tenant to complete the Initial Improvements, together with copies of paid invoices and lien waivers substantiating the costs stated in the affidavit. Such "hard construction costs," which must equal or exceed the Minimum Investment Amount, may include architectural and engineering fees, provided the credit for such costs against the Minimum Investment Amount shall not exceed fifteen percent (15%) of the Minimum Investment Amount. The minimum investment may not include financial costs, interest, inventory, pre-opening expenses, inter-company charges related to construction, business interruption, overhead, or debt service on any construction loan, or any charges paid by Tenant to an affiliate. If Director disputes the amount of investment claimed by Tenant, Director may, at City's expense, hire an independent

Laws. Tenant shall submit complete plans and specifications to Director, and prior to the commencing any construction work, obtain Director's written approval of said plans and specifications. Tenant shall make no change or alteration in the plans and specifications without prior written approval of Director. If Tenant fails to construct, furnish or decorate the premises in accordance with the approved plans and specifications, Tenant shall be given up to sixty (60) days to bring the premises to the condition described in the plans and specifications after which time the Director may impose a two hundred fifty dollars (\$250) per day fine until such time that the premises, fixtures and furnishings are brought in accordance with the approved plans and specifications. In the event that Tenant fails to submit plans and specifications which meet the approval of City within thirty (30) days after the Effective Date, City may terminate this Lease. Nothing herein contained shall be construed to delay or otherwise affect the Commencement Date or the Rent Commencement Date.

7.4 Notice and Permits. Tenant shall give written notice to Director not less than seven (7) days prior to the commencement of any work in construction, alteration or repairs of the Premises, in order that City may post appropriate notices of non-responsibility, and agrees that such notices may remain posted until the acceptance of such work by City. Tenant shall obtain, and pay all fees for all permits required by the City or other legal jurisdictions, for improvements that it is required to construct or install, and it shall furnish copies of all such permits to City prior to the commencement of any work.

7.5 Title to Alterations. Title to all Alterations of such a nature as cannot be removed without damage to the Terminal, including all carpeting, decorations, finishings, and counters, shall vest in City on the Expiration Date. All other equipment of such nature as to constitute trade fixtures shall remain the property of Tenant. On the Expiration Date, Tenant may remove said trade fixtures or Director may require that Tenant remove same at Tenant's expense. Prior to the Rent Commencement Date, Tenant shall submit to Director a proposed list of such trade fixtures; said list may be subsequently amended during the term of this Lease to reflect any changes in said trade fixtures. Tenant agrees and understands that "**fixture**" is defined as a thing affixed to premises that is bolted, nailed, screwed, cemented and/or plastered. For the purpose of this Lease, fixtures shall include slat wall, counters and the like, attached to the physical structure of the premises in any matter whatsoever. On the Expiration Date, all fixtures, other than those deemed trade fixtures by City, shall become the property of City. Tenant shall be liable to City for City's costs for storing, removing and disposing of Tenant's personal property, and of restoration of the Premises.

7.6 Effect of Alterations on Airport. If and to the extent that Tenant's activities or proposed Alterations trigger an obligation or requirement on the part of City to make changes to the Airport premises (including ADA requirements), Tenant shall indemnify, defend, and hold harmless City from and against any and all Losses (as defined below) arising out of such activities or Alterations.

7.7 Mid-Term Refurbishment

(a) Tenant shall refurbish, redecorate and modernize the interior and exterior of the public retail area of the Premises after the sixth (6th) anniversary of the Full Rent Commencement Date (the "**Mid-Term Refurbishment Date**"). On or before the date that is thirty (30) days before the Mid-Term Refurbishment Date, Tenant shall give notice to Director of its intended plan with respect to such mid-term refurbishment requirements. All such mid-term refurbishments will be subject to the requirements of this Lease, including Director's approval rights under this Section 7. Tenant shall invest Thirty-five (35%) of the Minimum Investment Amount. Tenant shall complete all such refurbishments on or before the date that is six (6) months after the Mid-Term Refurbishment Date.

8. UTILITIES

8.1 Services Provided. City shall provide in the Terminal Building Complex the following utility services: reasonable amounts of water, electricity, telephone, sewage outlets, heating, ventilation, and air conditioning, to a point determined by the Director. All extensions of the facilities requested by Tenant for said utility services from said points shall be at the sole cost and expense of Tenant. In the event of any change desired by Tenant as to said points of supply by City, the expense of making such changes or alterations shall be at the sole cost of Tenant.

8.2 Utility Costs. Tenant shall pay the whole cost for all utility services as invoiced to Tenant by City and for such other special services which it may require in the Premises, and Tenant hereby expressly waives the right to contest any utility rates.

8.3 Shared Telecommunications Services. Tenant acknowledges that City has implemented a shared telecommunications service program ("**STS Program**") to provide telecommunications services. The STS Program may involve City's provision of telephone, telefacsimile, local access, long distance service, internet, intranet, and other computer and telecommunications services. In such event, at City's option, Tenant shall participate in the STS Program by engaging City or its agent to provide such services at Tenant's expense, provided that the charges for such services are generally competitive. Further, Tenant shall pay to City when invoiced, the Airport Communication Infrastructure Charge, as the same may be modified from time to time. All payments for STS services shall be due and payable when invoiced by City.

8.4 Waiver of Damages. Tenant hereby expressly waives any and all claims for damages arising or resulting from failures or interruptions of utility services to the Premises, including electricity, gas, water, plumbing, sewage, telephone, communications, heat, ventilation, air conditioning, or for the failure or interruption of any public or passenger conveniences. Without limiting the generality of the foregoing, Tenant shall have no rights to abate Rent or terminate this Lease in the event of any interruption or failure of utility services.

9. MAINTENANCE AND REPAIR

9.1 "As-Is" Condition. TENANT SPECIFICALLY ACKNOWLEDGES AND AGREES THAT CITY IS LEASING THE PREMISES TO TENANT ON AN "AS IS WITH ALL FAULTS" BASIS AND THAT TENANT IS NOT RELYING ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, FROM CITY OR ITS AGENTS, AS TO ANY MATTERS CONCERNING THE PREMISES, INCLUDING: (i) the quality, nature, adequacy and physical condition and aspects of the Premises, including, but not limited to, landscaping, utility systems, (ii) the quality, nature, adequacy, and physical condition of soils, geology and any groundwater, (iii) the existence, quality, nature, adequacy and physical condition of utilities serving the Premises, (iv) the development potential of the Premises, and the use, habitability, merchantability, or fitness, suitability, value or adequacy of the Premises for any particular purpose, (v) the zoning or other legal status of the Premises or any other public or private restrictions on use of the Premises, (vi) the compliance of the Premises or its operation with any applicable codes, laws, regulations, statutes, ordinances, covenants, conditions and restrictions of any governmental or quasi-governmental entity or of any other person or entity, (vii) the presence of Hazardous Materials on, under or about the Premises or the adjoining or neighboring property, (viii) the quality of any labor and materials used in any improvements on the real property, (ix) the condition of title to the Premises, and (x) the agreements affecting the Premises, including covenants, conditions, restrictions, ground leases, and other matters or documents of record or of which Tenant has knowledge.

sanitary condition, including having a pest control program in place in accordance to the Airport's standards. Tenant shall contract with the Airport to provide pest control services and shall pay a monthly Pest Control Services Fee for such services. The Pest Control Services Fee may be adjusted from time to time at the sole discretion of the Director. Tenant must adhere to the following set of standards in accordance with the City and County of San Francisco (CCSF) Environment Code, Chapter 3, including but not limited to the following:

(a) Using pesticides on the CCSF allowed list only when application is made on City property, i.e. SFO.

(b) Any pesticide exemption must be granted by the San Francisco Department of Environment before using non-approved pesticides.

(c) All posting requirements regarding pesticide application must be adhered to prior to use.

(d) Pesticide use reports shall be made to Airport IPM (Integrated Pest Management) staff by the 10th of the month following application.

10. SIGNS AND ADVERTISING

10.1 Signs and Advertising. Tenant may, at its own expense, install and operate necessary and appropriate identification signs on the Premises, subject to the approval of Director and the requirements of the TI Guide, including but not limited to, the approval of the number, size, height, location, color and general type and design. Such approval shall be subject to revocation by Director at any time. Without express written consent of Director, Tenant shall not display any advertising, promotional, or informational pamphlets, circulars, brochures or similar materials.

10.2 Prohibition of Tobacco Advertising. Tenant acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on the Premises. This advertising prohibition includes the placement of the name of a company producing, selling or distributing cigarettes or tobacco products or the name of any cigarette or tobacco product in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (i) communicate the health hazards of cigarettes and tobacco products, or (ii) encourage people not to smoke or to stop smoking.

10.3 Prohibition of Alcoholic Beverage Advertising. Tenant acknowledges and agrees that no advertising of alcoholic beverages is allowed on the Premises. For purposes of this Section, "**alcoholic beverage**" shall be defined as set forth in California Business and Professions Code Section 23004, and shall not include cleaning solutions, medical supplies and other products and substances not intended for drinking. This advertising prohibition includes the placement of the name of a company producing, selling or distributing alcoholic beverages or the name of any alcoholic beverage in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (i) communicate the health hazards of alcoholic beverages, (ii) encourage people not to drink alcohol or to stop drinking alcohol, or (iii) provide or publicize drug or alcohol treatment or rehabilitation services.

11. PROMOTIONAL PROGRAM City, at City's election, may conduct, or cause to be conducted, advertising, promotional and public relations program for the general purpose of promoting the name and identity of the Airport and the concession business conducted in the Airport. If City elects to do so, City will determine in its sole discretion the composition and manner of implementation of that program, and

12.6 Insurance. Tenant shall procure and maintain during the Term the following insurance:

(a) Workers' Compensation Insurance with Employer's Liability limits not less than \$1,000,000 each accident.

(b) Commercial General Liability Insurance with limits not less than \$1,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Contractual Liability, Personal Injury, Products Liability and Completed Operations Coverages.

(c) Commercial Automobile Liability Insurance with limits not less than \$2,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including owned, non-owned, and hired auto coverages.

(d) Property Insurance on all causes of loss-special form covering all Premises tenant improvements, fixtures, and equipment insuring against the perils of fire, lightning, extended coverage perils, vandalism and malicious mischief in the demised premises in an amount equal to the full replacement value of tenant improvements, fixtures and equipment.

(e) Business Interruption Insurance insuring that the Base Rent will be paid to City for a period of at least one (1) year if Tenant is unable to operate its business at the Premises. Said insurance shall also cover business interruptions due to failures or interruptions in telecommunications services, strikes, employee lockouts, riots, or other civil commotion. To calculate Base Rent during any such interruption of business, the Gross Revenues for the 12-month period immediately preceding the incident causing the business interruption shall be used.

12.7 Form of Policies. Before commencing the Initial Improvements or other operations under this Lease, Tenant shall furnish to City certificates of insurance and additional insured policy endorsements with insurers with ratings comparable to A-, VIII or higher, that are authorized to do business in the State of California, and that are satisfactory to City in form evidencing all coverages set forth above. Approval of the insurance by City shall not relieve or decrease Tenant's liability hereunder. City may, upon reasonable notice and reasonable grounds increase or change the required insurance hereunder, in which event Tenant shall obtain such required insurance. Without limiting the generality of the foregoing, all Commercial General Liability Insurance and Commercial Automobile Liability Insurance policies shall be endorsed to provide the following:

(a) Name as additional insured the City and County of San Francisco, the Airport Commission and its members, and all of the officers, agents, and employees of each of them (collectively, "**Additional Insureds**");

(b) That such policies are primary insurance to any other insurance available to the Additional Insureds, with respect to any claims arising out of this Lease, and that insurance applies separately to each insured against whom claim is made or suit is brought.

(c) The insurance company shall give thirty (30) days prior written notice to the City for cancellation, non-renewal, or reduction in scope of limits or coverage, except for 10 days prior written notice of cancellation for nonpayment of premiums.

12.8 Subrogation. Notwithstanding anything to the contrary herein, Tenant waives any right of recovery against City for any loss or damage to the extent the same is required to be covered by Tenant's insurance hereunder. Tenant shall obtain from its insurer a waiver of subrogation the insurer may have

until actually repaid to Tenant, said sum not being earned by Tenant until all provisions precedent for its payment to Tenant have been fulfilled. If Tenant performs all of Tenant's obligations hereunder, the Deposit, or the proceeds thereof, or so much thereof as has not theretofore been applied by City, shall be returned, without payment of interest or other increment for its use, to Tenant (or, at City's option, to the last assignee, if any, of Tenant's interest hereunder) within sixty (60) days after the expiration of the Term, and after Tenant has vacated the Premises. No trust relationship is created herein between City and Tenant with respect to the Deposit or any proceeds thereof. Tenant waives to the fullest extent permitted by law the provisions of California Civil Code Section 1950.7 or other similar laws, which provide that a landlord may claim from a security deposit only those sums reasonably necessary to remedy a default in the payment of rent, to repair damage caused by a tenant, or to clean the premises.

13.4 Other Agreements. If Tenant defaults with respect to any provision of any other agreement between City and Tenant, including the Other Agreements, City may use, apply or retain all or any portion of the Deposit for payment of any sum owing to City or to which City may become obligated by reason of Tenant's default or to compensate City for any loss or damage which City may suffer thereby. Likewise, if Tenant defaults with respect to any provision under this Lease, City may use, apply, or retain all or any portion of any deposit provided under any other agreement between City and Tenant, including the Other Agreements, for payment of any sum owing to City or to which City may become obligated by reason of Tenant's default or to compensate City for any loss or damage which City may suffer thereby. In the event the Deposit or any other deposit is so used, Tenant shall deposit other security acceptable to Director with City in an amount sufficient to restore the Deposit to the full amount thereof.

14. DAMAGE OR DESTRUCTION

14.1 Partial Destruction of Premises

(a) In the event the improvements on the Premises are damaged by any casualty which is required to be insured against pursuant to this Lease, then Tenant shall repair such damage as soon as reasonably possible, at its own cost, and this Lease shall continue in full force and effect.

(b) In the event such improvements are damaged by any casualty not covered under an insurance policy required to be maintained pursuant to this Lease, then City may, at City's option, either (i) repair such damage as soon as reasonably possible at City's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Tenant within sixty (60) days after the date of occurrence of such damage of City's intention to terminate this Lease. Such termination shall be effective as of the date specified in such notice.

(c) Notwithstanding the foregoing, if such damage is caused by an act or omission to act of Tenant or a Tenant Entity, then Tenant shall repair such damage, promptly at its sole cost and expense.

(d) In the event City elects to terminate this Lease pursuant to this Section 14.1, Tenant shall have the right within ten (10) days after receipt of the required notice to notify City of Tenant's intention to repair such damage at Tenant's expense, without reimbursement from City, in which event this Lease shall continue in full force and effect and Tenant shall proceed to make such repairs as soon as reasonably possible. If Tenant does not give such notice within the ten (10) day period, this Lease shall be terminated as of the date specified in City's notice. City shall not be required to repair any injury or damage by fire or other cause, or to make any restoration or replacement of any paneling, decorations, office fixtures, partitions, railings, ceilings, floor covering, equipment, machinery or fixtures or any other improvements or property installed in the Premises by Tenant or at the direct or indirect expense of Tenant. Tenant shall be required to restore or replace same in the event of damage.

the United States or of any state thereof, or consent to the appointment of a receiver, trustee, or liquidator of any or substantially all of its property; or

(c) A petition under any part of the federal bankruptcy laws, or an action under any present or future insolvency law or statute, shall be filed against Tenant and shall not be dismissed within thirty (30) days after the filing thereof; or

(d) There shall occur a Transfer without the prior approval of the City; or

(e) Tenant shall voluntarily abandon, desert or vacate the Premises; or

(f) Any lien shall be filed against the Premises as a result of any act or omission of Tenant, and shall not be discharged or contested by Tenant in good faith by proper legal proceedings within twenty (20) days after receipt of notice thereof by Tenant; or

(g) Tenant shall fail to provide, maintain, increase, or replace, the Deposit as required herein; or

(h) Tenant shall fail to obtain and maintain the insurance required hereunder, or provide copies of the policies or certificates to City as required herein; or

(i) Tenant shall fail to keep, perform and observe each and every other promise, covenant and agreement set forth in this Lease, and such failure shall continue for a period of more than three (3) days after delivery by Director of a written notice of such failure (the "**First Notice**"); or if satisfaction of such obligation requires activity over a period of time, if Tenant fails to commence the cure of such failure within three (3) days after receipt of the First Notice, or thereafter fails to diligently prosecute such cure, or fails to actually cause such cure within one hundred twenty (120) days after the giving of the First Notice; or

(j) Tenant shall use or give its permission to any person to use any portion of Airport or the Terminal Buildings used by Tenant under this Lease for any illegal purpose, or any purpose not approved by Director; or

(k) There shall occur a default under any other agreement between Tenant and City, including the Other Agreements, if any, and such default is not cured as may be provided in such agreement; provided, however, that nothing herein shall be deemed to imply that Tenant shall be entitled to additional notice or cure rights with respect to such default other than as may be provided in such other agreement.

15.2 Statutory Notices. Notwithstanding anything to the contrary in this Section 15, any written notice, other than as specifically set forth in this Section 15, required by any statute or law now or hereafter in force is hereby waived by Tenant to the fullest extent available under law. Any notice given by City pursuant to Section 15.1 may be the notice required or permitted pursuant to Section 1161 *et seq.* of the California Code of Civil Procedure or successor statutes, and the provisions of this Lease will not require the giving of a notice in addition to the statutory notice to terminate this Lease and Tenant's right to possession of the Premises. The periods specified in Section 15.1 within which Tenant is permitted to cure any default following notice from City will run concurrently with any cure period provided by applicable laws.

services and fulfill such obligations and to incur all such expenses and costs as City deems necessary in connection therewith. Tenant shall be liable immediately to City for all costs and expenses City incurs in collecting such rents and arranging for or providing such services or fulfilling such obligations. City is hereby authorized, but not obligated, to relet the Premises or any part thereof on behalf of Tenant, to incur such expenses as may be necessary to effect a relet and make said relet for such term or terms, upon such conditions and at such rental as City in its sole discretion may deem proper. Tenant shall be liable immediately to City for all reasonable costs City incurs in reletting the Premises required by the reletting, and other costs. If City relets the Premises or any portion thereof, such reletting shall not relieve Tenant of any obligation hereunder, except that City shall apply the rent or other proceeds actually collected by it as a result of such reletting against any amounts due from Tenant hereunder to the extent that such rent or other proceeds compensate City for the nonperformance of any obligation of Tenant hereunder. Such payments by Tenant shall be due at such times as are provided elsewhere in this Lease, and City need not wait until the termination of this Lease, by expiration of the Term hereof or otherwise, to recover them by legal action or in any other manner. City may execute any lease made pursuant hereto in its own name, and the lessee thereunder shall be under no obligation to see to the application by City of any rent or other proceeds, nor shall Tenant have any right to collect any such rent or other proceeds. City shall not by any reentry or other act be deemed to have accepted any surrender by Tenant of the Premises or Tenant's interest therein, or be deemed to have otherwise terminated this Lease, or to have relieved Tenant of any obligation hereunder, unless City shall have given Tenant express written notice of City's election to do so as set forth herein.

(d) City shall have the right to have a receiver appointed upon application by City to take possession of the Premises and to collect the rents or profits therefrom and to exercise all other rights and remedies pursuant to this Section 15.3.

(e) City shall have the right to enjoin, and any other remedy or right now or hereafter available to a landlord against a defaulting tenant under the laws of the State of California or the equitable powers of its courts, and not otherwise specifically reserved herein.

(f) City may elect to terminate any other agreement between Tenant and City, including the Other Agreements, if any.

15.4 City's Right to Perform. All agreements and provisions to be performed by Tenant under any of the terms of this Lease shall be at its sole cost and expense and without any abatement of Rent. If Tenant shall fail to make any payment or perform any act on its part to be performed hereunder and such failure shall continue for ten (10) days after notice thereof by City, City may, but shall not be obligated to do so, and without waiving or releasing Tenant from any obligations of Tenant, make any such payment or perform any such other act on Tenant's part to be made or performed as provided in this Lease. All sums so paid by City and all necessary incidental costs shall be deemed additional rent hereunder and shall be payable to City on demand, and City shall have (in addition to any other right or remedy of City) the same rights and remedies in the event of the nonpayment thereof by Tenant as in the case of default by Tenant in the payment of Rent.

15.5 Rights Related to Termination. In the event of any termination based on any breach of the covenants, terms and conditions contained in this Lease, City shall have the option at once and without further notice to Tenant to enter upon the Premises and take exclusive possession of same. City may remove or store any personal property located therein, at the sole cost and expense of Tenant without City being liable to Tenant for damage or loss thereby sustained by Tenant. Upon such termination by City, all rights, powers and privileges of Tenant hereunder shall cease, and Tenant shall immediately vacate any space occupied by it under this Lease, and Tenant shall have no claim of any kind whatsoever against

enter on the Premises to assemble and take possession of the collateral, (b) require Tenant to assemble the collateral and make its possession available to the City at the Premises, (c) enter the Premises, render the collateral, if equipment, unusable and dispose of it in a manner provided by the Uniform Commercial Code on the Premises. Tenant agrees to execute such instruments as City may request to perfect such lien, and designates also Director his attorney-in-fact for purposes of executing such documents.

15.10 Commencement of Legal Actions. Any legal action by City to enforce any obligation of Tenant or in the pursuit of any remedy hereunder shall be deemed timely filed if commenced at any time prior to one (1) year after the expiration or termination of the Term hereof or prior to the expiration of the statutory limitation period that would be applicable except for this Section 15.10, whichever period expires later.

15.11 Waiver of Notice. Except as otherwise expressly provided in this Section 15, Tenant hereby expressly waives, so far as permitted by law, the service of any notice of intention to enter or re-enter provided for in any statute, or of the institution of legal proceedings to that end, and Tenant, for and on behalf of itself and all persons claiming through or under Tenant, also waives any right of redemption or relief from forfeiture under California Code of Civil Procedure Sections 1174 or 1179, or under any other present or future law, if Tenant is evicted or City takes possession of the Premises by reason of any default by Tenant hereunder.

16. SURRENDER

Tenant shall at the end of the Term surrender to City the Premises in “broom clean” condition with all Alterations, additions and improvements thereto in the same condition as when received, ordinary wear and tear and damage by fire, earthquake, act of God, or the elements excepted. Tenant shall abide by the vacating instructions in the Tenant Improvement Guide and shall remove all trade dress, signage inserts, equipment and furnishings not permanently affixed to the base building or chattels. Additionally, Tenant shall be responsible for ensuring that its telecommunications cables and all other low voltage special systems cables are capped off and service discontinued. If Tenant utilized a hood, grease receptacle, or grease interceptor in the operation of its business, all items must be professionally cleaned with a receipt for same submitted to City. Subject to City’s right to require removal pursuant to Section 7 [Investments; Alterations] hereof, all Alterations and improvements installed in the Premises by Tenant (other than Tenant’s trade fixtures), shall, without compensation to Tenant, then become City’s property free and clear of all claims to or against them by Tenant or any third person. In the event that Tenant shall fail to remove its personal property, including trade fixtures, on or before the Expiration Date, such personal property shall become City’s property free and clear of all claims to or against them by Tenant or any third person. In such event, City shall not be responsible for any Losses related to such personal property, and City may sell or otherwise dispose of such personal property. If any of the surrender requirements of this Section are not met, City may at its sole discretion deduct reasonable costs for the work from the Tenant’s Deposit.

17. HAZARDOUS MATERIALS

17.1 Definitions. As used herein, the following terms shall have the meanings hereinafter set forth:

(a) “**Environmental Laws**” shall mean any federal, state, local or administrative law, rule, regulation, order or requirement relating to industrial hygiene, environmental conditions or Hazardous Materials, whether now in effect or hereafter adopted, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, *et seq.*), the Resources Conservation and Recovery Act of 1976 (42 U.S.C. Section 9601, *et seq.*),

17.3 Environmental Indemnity. Tenant shall indemnify, defend, and hold harmless City from and against any and all Losses arising during or after the Term as a result of or arising from: (a) a breach by Tenant of its obligations contained in the preceding Section 17.2 [Tenant's Covenants], or (b) any Release of Hazardous Material from, in, on or about the Premises or the Airport caused by the act or omission of Tenant or any Tenant Entity, or (c) the existence of any Hazardous Materials on the Premises, except to the extent that Tenant can demonstrate that such Hazardous Materials constitutes a Pre-Existing Condition.

17.4 Environmental Audit. Upon reasonable notice, Director shall have the right but not the obligation to conduct or cause to be conducted by a firm acceptable to Director, an environmental audit or any other appropriate investigation of the Premises for possible environmental contamination. Such investigation may include environmental sampling and equipment and facility testing, including the testing of secondary contamination. No such testing or investigation shall limit Tenant's obligations hereunder or constitute a release of Tenant's obligations therefor. Tenant shall pay all costs associated with said investigation in the event such investigation shall disclose any Hazardous Materials contamination as to which Tenant is liable hereunder.

17.5 Closure Permit. Prior to the termination or expiration of this Lease, Director shall have the right to require Tenant to file with the City an application for a Closure Permit for decontamination of the site and investigation and removal of all Hazardous Materials in compliance with the Airport's TI Guide, the Airport Rules, and all Laws. The Closure Permit may require a plan for long-term care and surveillance of any contamination allowed to remain at the Premises or Airport property and an acknowledgment of responsibility and indemnification for any and all Losses associated with any such contamination. Without limiting the foregoing provision, City reserves the right to require Tenant to, and in such event Tenant shall, at Tenant's sole cost and expense, decontaminate the Premises and remove any Hazardous Materials discovered during the Term, except those Hazardous Materials which constitute Pre-Existing Conditions. Such removal shall be performed to the Director's reasonable satisfaction.

18. EMINENT DOMAIN

18.1 Definitions. For purposes of this Section 18, the following capitalized terms shall have the following meanings:

(a) "*Award*" means all compensation, sums or value paid, awarded or received for a Taking, whether pursuant to judgment, agreement, settlement or otherwise.

(b) "*Date of Taking*" means the earlier of: (a) the date upon which title to the portion of the Premises taken passes to and vests in the condemnor, and (b) the date on which Tenant is dispossessed

(c) "*Taking*" means a taking or damaging, including severance damage, by eminent domain, inverse condemnation or for any public or quasi-public use under applicable Laws. A Taking may occur pursuant to the recording of a final order of condemnation, or by voluntary sale or conveyance in lieu of condemnation or in settlement of a condemnation action.

18.2 General. If during the Term or during the period between the execution of this Lease and the Commencement Date, any Taking of all or any part of the Premises or any interest in this Lease occurs, the rights and obligations of the parties hereunder shall be determined pursuant to this Section 18. City and Tenant intend that the provisions hereof govern fully in the event of a Taking and accordingly, the Parties each hereby waives any right to terminate this Lease in whole or in part under Sections 1265.120 and 1265.130 of the California Code of Civil Procedure or under any similar Law now or hereafter in effect.

MacBride Principles. The City and County of San Francisco urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this agreement on behalf of Tenant acknowledges that he or she has read and understood this section.

19.2 Charter. The terms of this Lease shall be governed by and subject to the budget and fiscal provisions of the Charter of the City and County of San Francisco.

19.3 Tropical Hardwood and Virgin Redwood Ban. The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product. Except as expressly permitted by the application of Sections 802(b) and 803(b) of the San Francisco Environmental Code, Tenant shall not provide any items to the construction of Alterations, or otherwise in the performance of this Lease which are tropical hardwoods, tropical hardwood wood products, virgin redwood, or virgin redwood wood products. In the event Tenant fails to comply in good faith with any of the provisions of Chapter 8 of the San Francisco Environmental Code, Tenant shall be liable for liquidated damages for each violation in any amount equal to Tenant's net profit on the contract, or five percent (5%) of the total amount of the contract dollars, whichever is greater.

19.4 No Representations. Tenant acknowledges and agrees that neither City nor any person on behalf of City has made, and City hereby disclaims, any representations or warranties, express or implied, regarding the business venture proposed by Tenant at the Airport, including any statements relating to the potential success or profitability of such venture. Tenant represents and warrants that it has made an independent investigation of all aspects of the business venture contemplated by this Lease and the Permitted Use.

19.5 Effect of City Approvals. Notwithstanding anything to the contrary herein, Tenant acknowledges and agrees that City is entering into this Lease as a landowner, and not as a regulatory agency with police powers. Accordingly, any construction, alterations, or operations contemplated or performed by Tenant hereunder may require further authorizations, approvals, or permits from governmental regulatory agencies, including the Airport's Quality Control Department. Nothing in this Lease shall limit Tenant's obligation to obtain such other authorizations, approvals, or permits. No inspection, review, or approval by City pursuant to this Lease shall constitute the assumption of, nor be construed to impose, responsibility for the legal or other sufficiency of the matter inspected, reviewed, or approved. In particular, but without limiting the generality of the foregoing, in approving plans and specifications for Alterations, City (a) is not warranting that the proposed plan or other action complies with applicable Laws, and (b) reserves its right to insist on full compliance in that regard even after its approval has been given or a permit has been issued.

19.6 Limitation on Damages. Notwithstanding anything to the contrary herein, in no event will City or any City Entity be liable to Tenant or any Tenant Entity for any consequential, incidental, or special damages, or special damages, or lost revenues or lost profits.

19.7 Sponsor's Assurance Agreement. This Lease shall be subordinate and subject to the terms of any "**Sponsor's Assurance Agreement**" or any like agreement heretofore or hereinafter entered into by City and any agency of the United States of America.

19.8 Federal Nondiscrimination Regulations.

(a) Tenant understands and acknowledges that City has given to the United States of America, acting by and through the Federal Aviation Administration, certain assurances with respect to nondiscrimination, which have been required by Title VI of the Civil Rights Act of 1964, as effectuated

Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(b) Tenant shall include in all subleases and other subcontracts relating to the Premises hereunder a nondiscrimination clause in substantially the form of subsection (a) above. In addition, Tenant shall incorporate by reference in all subleases and other subcontracts the provisions of Sections 12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code and shall require all subtenants and other subcontractors to comply with such provisions. Tenant's failure to comply with the obligations in this subsection shall constitute a material breach of this Lease.

(c) Tenant does not as of the date of this Lease and will not during the Term, in any of its operations in San Francisco, where the work is being performed for the City, or elsewhere within the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code.

(d) Tenant hereby represents that prior to execution of this Lease (i) Tenant executed and submitted to the Contract Monitoring Division of the City and County of San Francisco (the "CMD") the Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits form (Form CMD-12B-101), with supporting documentation, and (ii) the CMD approved such form.

(e) The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to nondiscrimination by parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Lease as though fully set forth herein. Tenant shall comply fully with and be bound by all of the provisions that apply to this Lease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Tenant understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Lease may be assessed against Tenant and/or deducted from any payments due Tenant.

19.11 Conflict of Interest. Through its execution of this Agreement, Tenant acknowledges that it is familiar with the provisions of section 15.103 of City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and sections 87100 et seq. and sections 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitute a violation of said provision and agrees that if it becomes aware of any such fact during the term of this Agreement it shall immediately notify Landlord.

19.12 Prevailing Rates of Wage Left Blank by Agreement of the Parties

19.13 Declaration Regarding Airport Private Roads. Tenant hereby acknowledges and agrees that all roads existing at the date of execution hereof within the boundaries of the Airport, as shown on the current official Airport plan and as it may be revised, are the private property and private roads of the City and County of San Francisco, with the exception of that portion of the old Bayshore Highway which runs through the southern limits of the City of South San Francisco and through the northern portion of the Airport to the intersection with the North Airport Road as shown on said Airport Plan, and with the exception of that portion of the North Airport Road which runs from the off and on ramps of the State

19.19 First Source Hiring Ordinance. Tenant shall comply with the San Francisco First Source Hiring Ordinance (Board of Supervisors Ordinance No. 264-98, as amended by Board of Supervisors Ordinance Nos. 32-09 and 149-09) in cooperation with the Airport Commission Office of Employment and Community Partnerships pursuant to the First Source Hiring Agreement entered into between the Airport Commission and the Tenant concurrently herewith, and incorporated herein by reference.

19.20 Labor Peace/Card Check Rule. Without limiting the generality of other provisions herein requiring Tenant to comply with all Airport Rules, Tenant shall comply with the Airport's Labor Peace/Card Check Rule, adopted on February 1, 2000, pursuant to Airport Commission Resolution No. 00-0049 (the "**Labor Peace/Card Check Rule**"). Capitalized terms not defined in this provision are defined in the Labor Peace/Card Check Rule. To comply with the Labor Peace/Card Check Rule, Tenant shall, among other actions: (a) Enter into a Labor Peace/Card Check Agreement with any Labor Organization which requests such an agreement and which has registered with the Director or his/her designee, within thirty (30) days after the Labor Peace/Card Check Agreement has been requested; (b) Not less than thirty (30) days prior to the modification of this Lease, Tenant shall provide notice by mail to any Labor Organization or federation of labor organizations which have registered with the Director or his/her designee ("**registered labor organization**"), that Tenant is seeking to modify or extend this Lease; (c) Upon issuing any request for proposals, invitations to bid, or similar notice, or in any event not less than thirty (30) days prior to entering into any Subcontract, Tenant shall provide notice to all registered labor organizations that Tenant is seeking to enter into such Subcontract; and (d) Tenant shall include in any subcontract with a Subcontractor performing services pursuant to any Covered Contract, a provision requiring the Subcontractor to comply with the requirements of the Labor Peace/Card Check Rule. If the Director determines that Tenant shall have violated the Labor Peace/Card Check Rule, the Director shall have the option to terminate this Lease, in addition to exercising all other remedies available to him/her.

19.21 Requiring Minimum Compensation.

(a) Tenant agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of Tenant's obligations under the MCO is set forth in this Section. Tenant is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(b) The MCO requires Tenant to pay Tenant's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and Tenant is obligated to keep informed of the then-current requirements. Any subcontract entered into by Tenant shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is Tenant's obligation to ensure that any subcontractors of any tier under this Agreement comply with the requirements of the MCO. If any subcontractor under this Agreement fails to comply, City may pursue any of the remedies set forth in this Section against Tenant.

(c) Tenant shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated by reference and made a part of this Agreement as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12Q.

(a) For each Covered Employee, Tenant shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Tenant chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(b) Notwithstanding the above, if the Tenant is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

(c) Tenant's failure to comply with the HCAO shall constitute a material breach of this agreement. City shall notify Tenant if such a breach has occurred. If, within 30 days after receiving City's written notice of a breach of this Agreement for violating the HCAO, Tenant fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Tenant fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

(d) Any Subcontract entered into by Tenant shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Tenant shall notify City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Tenant shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against Tenant based on the Subcontractor's failure to comply, provided that City has first provided Tenant with notice and an opportunity to obtain a cure of the violation.

(e) Tenant shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to Tenant's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(f) Tenant represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(g) Tenant shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the City Contract.

(h) Tenant shall keep itself informed of the current requirements of the HCAO.

(i) Tenant shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(j) Tenant shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least ten business days to respond.

19.28 Local Hire Policy. Any undefined, initially-capitalized term used in this Section shall have the meaning given to such term in San Francisco Administrative Code Section 23.62 (the "Local Hiring Requirements"). All Alterations under this Lease are subject to the Local Hiring Requirements unless the cost for such work is (a) estimated to be less than \$750,000 per building permit or (b) meets any of the other exemptions in the Local Hiring Requirements. Tenant agrees that it shall comply with the Local Hiring Requirements to the extent applicable. Before starting any Alteration, Tenant shall contact City's Office of Economic Workforce and Development ("OEWD") to verify if the Local Hiring Requirements apply to the work (i.e., whether the work is a "Covered Project"). Tenant shall include, and shall require its subtenants to include, a requirement to comply with the Local Hiring Requirements in any contract for a Covered Project with specific reference to San Francisco Administrative Code Section 23.62. Each such contract shall name the City and County of San Francisco as a third party beneficiary for the limited purpose of enforcing the Local Hiring Requirements, including the right to file charges and seek penalties. Tenant shall cooperate, and require its subtenants to cooperate, with City in any action or proceeding against a contractor or subcontractor that fails to comply with the Local Hiring Requirements when required. Tenant's failure to comply with its obligations under this Section shall constitute a material breach of this Lease. A contractor's or subcontractor's failure to comply with this Section will enable City to seek the remedies specified in San Francisco Administrative Code Section 23.62 against the breaching party.

19.29 Green Building Requirements. Tenant acknowledges that the City and County of San Francisco has enacted Chapter 7 of the San Francisco Environment Code relating to green building requirements. Tenant hereby agrees that it shall comply with all applicable provisions of Chapter 7, including but not limited to those relating to Leadership in Energy and Environmental Design (LEED) certification.

19.30 Bottled Water Requirements. The Airport issued Airport Operations Bulletin 19-03-AOB, which prohibits Airport tenants, vendors and permittees from providing or Selling Bottled Water in containers that contain plastic or aseptic paper packaging, including in vending machines. Instead, reusable, single-use and multi-use recyclable aluminum and glass, and BPI-certified compostable products, pre-approved by the Airport, may be sold. "Bottled Water" means drinking water in a sealed box, bag, can, bottle, or other container intended primarily for single-service use and having a capacity of one liter or less. Drinking water includes mineral water, carbonated or sparkling water, and electrolyte enhanced water. This policy is effective August 20, 2019, and will be incorporated into the Airport Rules and Regulations to become effective January 1, 2020. The Airport has compiled a list of compliant Bottled Water on <https://sfoconnect.com/zero-waste-concessions>.

20. GENERAL PROVISIONS

20.1 Notices. Except as otherwise specifically provided in this Lease, any notice, consent, request, demand, or other correspondence given under this Lease shall be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or overnight courier, return receipt requested, with postage prepaid or by electronic mail (if an electronic mail address is provided), to: (a) Tenant at Tenant's Notice Address; or (b) City at City's Notice Address; or (c) such other address as either Tenant or City may designate as its new address for such purpose by notice given to the other in accordance with this Section. Any notice hereunder shall be deemed to have been given and received and effective two (2) days after the date when it is mailed, if sent by first-class, certified mail, one day after the date when it is mailed if sent by overnight courier, or upon the date personal or electronic mail delivery is made. For convenience of the parties, copies of notices may also be given by facsimile to the number set forth in the Summary or such

contemplated herein. In the event that any broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his/her claim shall be responsible for such commission or fee and shall indemnify, defend, and hold harmless the other party from any and all Losses incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination or expiration of this Lease.

20.10 Severability. If any provision of this Lease or the application thereof to any person, entity or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such provision to persons, entities or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each other provision of this Lease shall be valid and be enforceable to the full extent permitted by law.

20.11 Governing Law. This Lease shall be construed and enforced in accordance with the laws of the State of California and the Charter of the City and County of San Francisco.

20.12 Attorneys' Fees. In the event that either City or Tenant fails to perform any of its obligations under this Lease or in the event a dispute arises concerning the meaning or interpretation of any provision of this Lease, the defaulting party or the party not prevailing in such dispute, as the case may be, shall pay any and all costs and expenses incurred by the other party in enforcing or establishing its rights hereunder (whether or not such action is prosecuted to judgment), including, without limitation, court costs and reasonable attorneys' fees. For purposes of this Lease, reasonable fees of attorneys of City's Office of the City Attorney shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the subject matter area of the law for which the City Attorney's services were rendered who practice in the City of San Francisco in law firms with approximately the same number of attorneys as employed by the Office of the City Attorney. Without limiting the generality of the foregoing, Tenant shall also pay all costs and expenses incurred by City related to City's participation in or monitoring of any Tenant bankruptcy, insolvency, or similar proceeding involving creditors' rights generally and any proceeding ancillary thereto. This Section shall survive expiration or earlier termination of this Lease.

20.13 Cumulative Remedies. All rights and remedies of either party hereto set forth in this Lease shall be cumulative, except as may otherwise be provided herein.

20.14 Time of Essence. Time is of the essence with respect to all provisions of this Lease in which a definite time for performance is specified.

20.15 Reservations by City. City may (a) at any time, upon reasonable advance written or oral notice, enter the Premises to show the Premises to prospective tenants or other interested parties, to post notices of non-responsibility, to re-measure the Premises, to repair any part of the Premises or adjoining areas, to install equipment for adjoining areas, and for any other lawful purpose; (b) without advance notice, enter the Premises to conduct an environmental audit, operational audit, or general inspection, or in an emergency. City shall use reasonable efforts to minimize disruption in Tenant's business. Such entry shall not constitute a forcible or unlawful entry into or a detainer of the Premises, or an eviction, actual or constructive of Tenant from the Premises. City reserves the exclusive right to use all areas of the Airport not comprising the Premises, and the exterior walls and roofs the Premises. City reserves the exclusive right to use such areas together with the right to install, maintain, use, repair, and replace pipes, ducts, conduits, wires, columns, and structural elements serving other parts of the Airport in and through the Premises. This reservation in no way affects maintenance obligations imposed in this Lease.

20.16 Survival of Indemnities. Expiration or termination of this Lease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the

(iii) no more than one month's Base Rent has been paid in advance. Notwithstanding the conclusiveness of Tenant's failure to deliver such statement, Tenant's failure shall constitute a breach of this Lease.

20.22 Authority. If Tenant signs as a corporation, a limited liability company, or a partnership, each of the persons executing this Lease on behalf of Tenant does hereby covenant and warrant that Tenant is a duly authorized and existing entity, that Tenant has and is duly qualified to do business in California, that Tenant has full right and authority to enter into this Lease, and that each and all of the persons signing on behalf of Tenant are authorized to do so. Upon City's request, Tenant shall provide City evidence reasonably satisfactory to City confirming the foregoing representations and warranties.

20.23 Consents. If City is required to reasonably grant consent or approval, but does not do so, Tenant's sole and exclusive remedy is to seek specific performance and in no event will City be liable for any monetary damages.

20.24 Options Personal. If and to the extent Tenant has an option to extend the Term of this Lease, such option is personal to the original Tenant and may be exercised only by the original Tenant while occupying the Premises who does so without the intent of thereafter making any Transfer, and may not be exercised by or assigned, voluntarily or involuntarily, by or to any person or entity other than Tenant, unless the foregoing prohibition is waived by Director. The options, if any, herein granted to Tenant are not assignable separate and apart from this Lease, nor may any option be separated from this Lease in any manner, either by reservation or otherwise.

20.25 Counterparts. This Lease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties have executed this Lease as of the Effective Date.

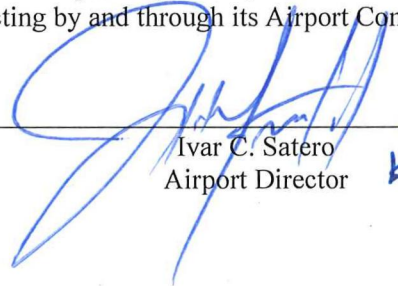
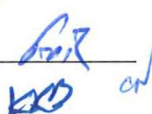
TENANT: MRG San Francisco Terminal 2, LLC,
[signatories to also initial Summary] a Delaware limited liability company

By: 

Name: _____
(type or print)

Title: _____

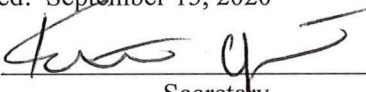
CITY: CITY AND COUNTY OF SAN FRANCISCO,
[signatories to also initial Summary] a municipal corporation,
acting by and through its Airport Commission


Ivar C. Satero
Airport Director 

AUTHORIZED BY
AIRPORT COMMISSION

Resolution No.: 20-0156

Adopted: September 15, 2020

Attest: 
Secretary
Airport Commission

APPROVED AS TO FORM:
DENNIS J. HERRERA,
City Attorney

By: 
Deputy City Attorney

\\commission\data\Department\RDM\TENANTS\MRG_Marshall Retail Group\MRG SF Terminal 2, LLC\Agreements\T2_HMT1 Lease - MRG-Final.docx

LIST OF EXHIBITS

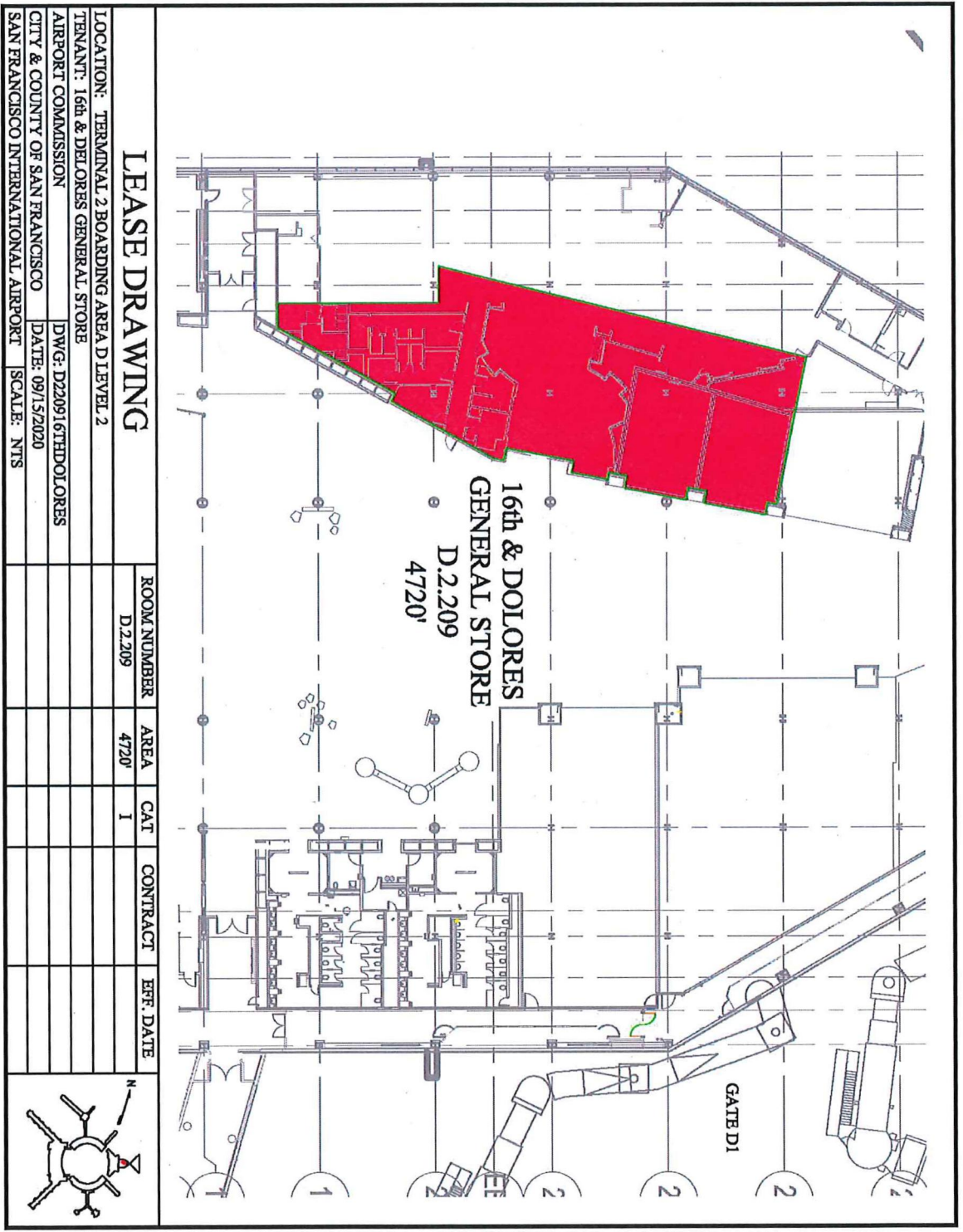
EXHIBIT A – Description of Premises

EXHIBIT B – Use and Operational Requirements

EXHIBIT C-1 – Form of Performance Bond

EXHIBIT C-2 – Form of Letter of Credit

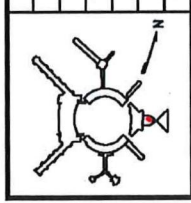
EXHIBIT D – Tenant Work Letter

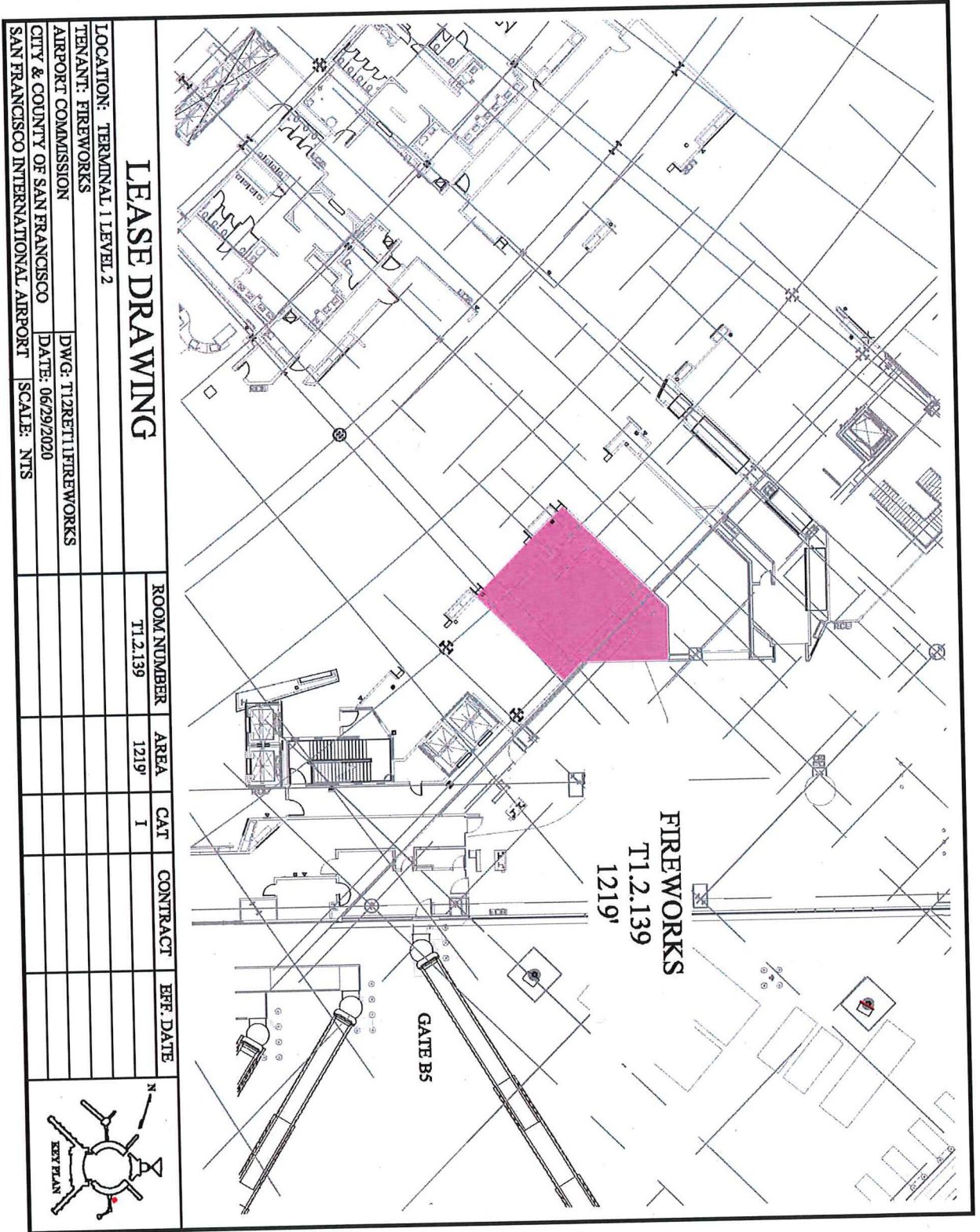


LEASE DRAWING

LOCATION: TERMINAL 2 BOARDING AREA D LEVEL 2
 TENANT: 16th & DOLORES GENERAL STORE
 AIRPORT COMMISSION
 CITY & COUNTY OF SAN FRANCISCO
 SAN FRANCISCO INTERNATIONAL AIRPORT

ROOM NUMBER	AREA	CAT	CONTRACT	EFF. DATE
D.2.209	4720'	I		

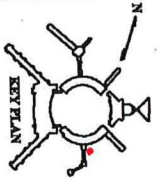


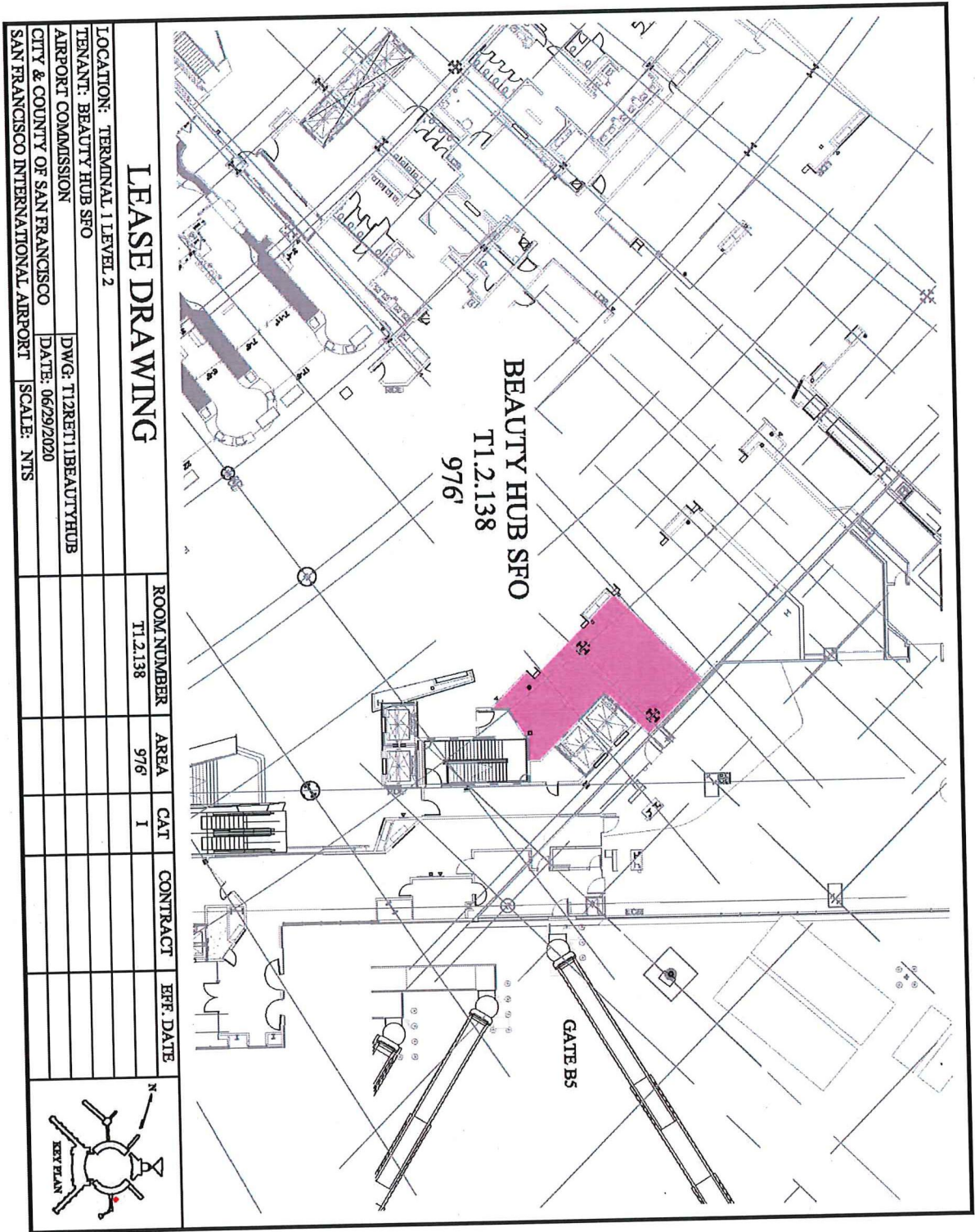


LEASE DRAWING

LOCATION: TERMINAL 1 LEVEL 2
 TENANT: FIREWORKS
 AIRPORT COMMISSION DWG: T12RET11FIREWORKS
 CITY & COUNTY OF SAN FRANCISCO DATE: 06/29/2020
 SAN FRANCISCO INTERNATIONAL AIRPORT SCALE: NTS

ROOM NUMBER	AREA	CAT	CONTRACT	EFF. DATE
T1.2.139	1219'	I		





LEASE DRAWING

LOCATION: TERMINAL 1 LEVEL 2
 TENANT: BEAUTY HUB SFO
 AIRPORT COMMISSION
 CITY & COUNTY OF SAN FRANCISCO
 SAN FRANCISCO INTERNATIONAL AIRPORT

DWG: T12RET11BEAUTYHUB
 DATE: 06/29/2020
 SCALE: NTS

ROOM NUMBER	AREA	CAT	CONTRACT	EFF. DATE
T1.2.138	976	I		

EXHIBIT B
USE AND OPERATIONAL REQUIREMENTS

- 1) **GENERAL REQUIREMENTS:** All products are sold on a non-exclusive basis, and Airport reserves the right to sell and to permit other Airport tenants to sell the same or similar products. All such items must be sold at retail. Tenant may not display, sell, rent, or otherwise offer any product without Director's written prior consent.
- 2) **REQUIRED/OPTIONAL PRODUCTS:** In the event Director permits any product to be sold or offered that is not listed below, changes the required or optional offerings listed below, or otherwise modifies the Permitted Use or operational requirements under this Lease, this Exhibit shall be deemed amended without need for a formal amendment of this Lease.

Terminal 2 Market doing business as 16th & Dolores General Store

- 1 facility (Space No. D.2.209)

Required

Tenant shall operate a retail market which should include but is not limited to a newsstand, merchandise, and other retail except as prohibited below. The Market can be presented either as separate "stores within a store" or in department store fashion with various merchandise offerings in a singular presentation.

A concept is defined as a branded merchandise offering that can essentially function and be presented as a stand-alone concession. Prohibited categories for concepts are:

- Candy: Standard candy assortment product offering characteristic of a newsstand is allowed. Candy as a stand-alone concept portion of the Retail Market is prohibited.
- Sunglasses: Sunglasses as a product offering and as a concept are prohibited.
- Spa: Spa concept is prohibited, however, beauty as a concept and health and wellness product offerings are permissible within the Retail Market.
- Alcohol for immediate consumption: Alcohol not for immediate consumption is permissible within the Terminal 2 Retail Market with proper license, however, alcohol not for immediate consumption can account for no more than 5% of total square footage of the Retail Market.
- Books: No more than 20 titles can be offered within the Retail Market space.

Optional

Tenant at its own option, may display and sell, on a nonexclusive basis:

- Tea/Juice bar offering
- Drip and pour over coffee. Specialty coffee, such as espresso, cappuccino, and lattes will not be allowed to be offered.

Harvey Milk Terminal 1 Specialty Retail doing business as Fireworks and Beauty Hub SFO
– 2 facilities (Space Nos. T1.2.138 & T1.2.139)

Required

Tenant shall operate 2 separate specialty retail stores.

Fireworks (Space No. T1.2.139) on a nonexclusive basis, specializes in the sale of assorted gifts and souvenirs ranging between but not limited to jewelry, tech and travel, office and books, apparel, and children's items.

Beauty Hub SFO (Space No. T1.2.138) on a nonexclusive basis, specializes in the sale of cosmetics, skincare, and fragrances.



M E R C H A N D I S E L I S T

APPAREL AND ACCESSORIES	\$2.50 - \$300.00
BAGS AND TRAVEL GEAR	\$4.50 - \$308.00
BOOKS AND ENTERTAINMENT	\$3.50 - \$40.00
HOLIDAY AND SPECIAL OCCASION	\$2.50 - \$210.00
HOME DÉCOR	\$1.50 - \$215.00
JEWELRY	\$8.50 - \$468.00
CHILDREN'S ITEMS	\$6.50 - \$68.00
OFFICE AND STATIONERY	\$1.50 - \$44.00
FOOD	\$0.65 - \$24.50
BEAUTY AND FRAGRANCE	\$2.25 - \$54.00
TOYS AND HOBBIES	\$1.50 - \$58.00

materials must remain source separated until placed in the proper color-coded bin in the Material Recovery Area.

4) **OTHER OPERATIONAL REQUIREMENTS:**

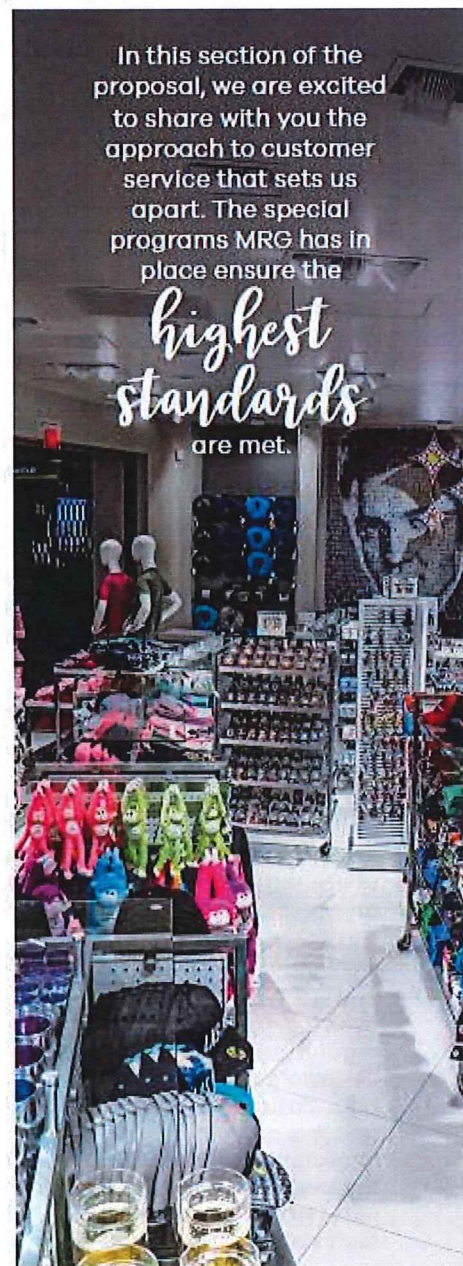
CUSTOMER *Service Standards*

The Marshall Retail Group, LLC (MRG) is a thriving retail company that is exceptionally committed to the mission of *'Creating Unique Retail Experiences,'* wherever we do business. Beyond providing extraordinary customer service, MRG specializes in bringing to life concepts that reflect the vision of our airport partners and create one-of-a-kind shopping environments that capture the interest of travelers.

Our team is known for developing award-winning customer service and has been recognized by Airport Experience News as the Industry's 2019 'Best Customer Service, Retailer.' This special focus is at the heart of what we do every day and that is why we tenaciously seek to locate, hire and train team members that are eager to join our unique organization in order to deliver a world-class airport experience.

MRG has partnered with Customer Service Experts (CSE), the leader in providing service culture solutions to the airport industry. We use many of their programs to continuously improve our customer service performance. We incorporate practical innovation with an integrated approach to technology and systems, which sets us apart from the competition.

CSE is considered the innovative leader in airport customer service development; working with airports, developers and concessionaires like our team. CSE provides training to our team members as well as on-going mystery shopping surveys and data measurement. MRG's management team works with our sales team to review mystery shopping results, to recognize team members for demonstrating customer service excellence, and to assess any areas that require improvement.





DESIGNING & DIGITIZING CUSTOMER JOURNEYS

Our Mission is to provide the SFO traveler with the most exceptional shopping experience possible. Our operational plan is to have a team dedicated to providing an enticing environment with a world-class customer experience.

We also use Prodc Analytics, a global leader in retail shopper intelligence data, to deliver real-time analytics and shopper behavior insights that help increase sales and provide a better shopping experience. Using Wi-Fi and Bluetooth technology combined with 3D Stereo Cameras, we can capture shoppers entering and exiting each store. Additional texture is provided by combining this with other key data sets such as shopper behavior analytics, customer loyalty, engagement, visit duration, and zone visits, as well as market trends and benchmarking, weather and flight delays.

Our history at SFO tells us that more than 73% of purchases are made with a credit/debit card. In addition to POS terminals strategically located throughout each location, every team member has the ability to complete a customer's transaction with a mobile device. This standard is unprecedented and means that no matter where a customer has made their purchase decision, our team has the technology to process and complete the transaction without having to visit a POS station.

The following are just some of the latest innovations that MRG incorporates into its current operations to enhance customer experience and deliver extraordinary service at SFO:

CONTACTLESS PAY

Contactless pay is a secure method for consumers to purchase products or services via debit, credit or smartcards, by using RFID technology or near-field communication. To make a contactless payment, a person simply needs to tap their card near a point-of-sale terminal – leading to the nickname “tap-and-go.” In our ongoing pursuit to deliver a myriad of convenient options for our busy travel customers, MRG was an early adopter of contactless payment solutions. In addition to **Apple Pay** and **Samsung Pay**, which are accepted in all of our stores, we have launched **AllPay** and **WeChat** which are the dominant Chinese contactless pay solutions. These pay solutions support Chinese customers, whose collective spend in the U.S. is approaching \$60 billion per year.



- MRG Improves operations at SFO by increasing conversion ratios, optimizing staffing, improving customer service and objectively measuring marketing strategy effectiveness. The reports generated by StoreForce are used by our management teams to create an achievement plan and coach the sales team so that we can hit our own target goals and those of SFO. The achievement plan identifies areas of success, but also areas for opportunity. Then, a plan of action is created by the store manager and team to celebrate successes and build strengths.
- Our own District Market in SFO's Terminal 3 has increased retail sales from **\$6.4 million to over \$10 million** currently with the use of StoreForce.

STAFFING Plan

Every store in every airport is different in the traffic pattern of customers throughout the year. StoreForce provides us with an optimal schedule for the store. How does this work? StoreForce takes all the analytical data on this store: traffic by 30 minute segment; sales by 30 minute segment; units per transaction; average transaction and begins the schedule process.

StoreForce then looks into staff productivity and marries the staff productivity to the key metrics of the stores history to produce an optimal schedule for the upcoming week. Using this type of workforce management software ensures optimal store coverage for the variety of peaks and valleys at SFO.

16th & Dolores General Store

TIME SLOT	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
4:30am - 12:30pm	10	8	8	10	10	8	10
8:00am - 4:00pm	8	6	6	8	8	6	8
10:00am - 6:00pm	6	4	4	6	5	4	6
4:00pm - 11:00pm	9	8	8	9	9	8	9
11:00pm - 7:00am	8	2	2	8	8	2	2

General Manager.....1
 Assistant Managers.....3
 Supervisors.....2

Customer Experience Associate.....35
 Stock.....10

Beauty Hub SFO and Klehl's

TIME SLOT	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
6:00am - 2:00pm	2	2	2	2	2	2	2
2:00pm - 10:00pm	2	2	2	2	2	2	2

Store Manager.....1
 Assistant Manager.....1

Supervisors.....2
 Customer Experience Associates.....3

Fireworks Gallery

TIME SLOT	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY	SUNDAY
6:30am - 1:00pm	8	8	8	8	8	2	2
10:00am - 6:00pm	2	2	1	1	2	1	2
2:00pm - 1:30pm	8	8	8	8	8	8	8

Store Manager.....1
 Assistant Manager.....1
 Key Holders.....4

Sales Associate.....4
 Stock Coordinator.....1
 Warehouse Coordinator.....1

Note: The above Staffing Chart represents the number of team members starting their shift within the defined time slot and functions as the total roll up of the supplemented team members throughout the day.

Additionally, the above staffing charts represent the **minimum coverage** for each store. This number represents the fewest number team members that would be on the sales floor at ALL times. It does not take into account swing highs during the day or week but is only a representation of the amount of team members on the sales floor for each hour.



TRAINING PROGRAMS & DEVELOPMENT

MRG is a company that knows the power of people—both those who work within our organization and those who visit our retail locations. We place a great deal of emphasis on finding the right team members and keeping them happy. This is something many retail companies talk about, but it only works when applied. Our well-chosen, happy team members enable us to deliver something crucial: award-winning customer service.

At MRG, we invest in our team. Our team members are important to us and we make them feel important by letting them know how valuable their contribution is to the success of the company. We adopt the culture that by taking care of our team, they will take care of the guests. We provide ongoing training programs throughout the career of each Team Member which ensures a better understanding of workplace practices and career advancement potential.

NEW HIRE ORIENTATION

This isn't your father's orientation with stacks of paperwork and someone droning on about rules and regulations. Our Human Resources Coordinator guides new Team Members through our impressive history, comprehensive benefits plan, our loss prevention strategies, Organizational Health and much more. With a combination of classroom, live lectures, role plays and videos, we use all aspects of adult learning with a large dash of FUN. We've created a unique experience that has long lasting impact on retention and productivity.

Our Human Resources Coordinator is responsible for leading our team through a myriad of custom, in-house instructional programs. These programs ensure that our team feels 100% confident in their ability to handle any situation and handle it the MRG way. Our programs are never ending; formal instruction continues throughout the career of each Team Member.

CUSTOMER EXPERIENCE AND SALES TRAINING

At MRG, we place great emphasis on our Core Purpose; **CUE** -

*creating
unique
experiences*

We want every traveler, Team Member and partner to have experiences with MRG that they couldn't have anywhere else, with anyone else. Providing "CUE" for our customers is paramount, so our customer experience philosophy is to WOW everyone who enters our stores, every time.

The principle of the "Power to Wow" class is that customer service must be viewed through the lens of the customer. Our Team Members learn how to elevate every action from what might simply be good service into the realm of being an amazing experience.

MRG specializes in experiences. We achieve this by actively listening. We train our Team Members to pick up cues that enable them to think the way each individual customer thinks, as opposed to making assumptions on generic customer needs. When a customer's pace is slow and conversational, we respond in the same manner. If the customer's pace is fast and to-the-point, we respond with likewise speed. This elevates the customer experience from ordinary to extraordinary. Our Team Members can speak to every product and service we offer. They become generalists who can guide a traveler through everything we offer.

ORGANIZATIONAL HEALTH

We believe that a powerful customer service platform can only be based upon an organization that is healthy from the inside out. Our executive leadership has put into action an Organizational Health (OH) program that benefits every area of MRG's business. From our corporate headquarters and state-of-the-art Distribution Center, and from bustling team members to merchandisers who are in the field keeping the product assortment relevant, MRG is focused on the following 4 Key Areas that keep our team 'fit' for business.

1. BUILDING A COHESIVE LEADERSHIP TEAM.

We view every Team Member in MRG as a leader. They are empowered to do what is right for the customer. All Team Members can lead by example.

2. CREATE CLARITY.

Our clarity is summed up in two ways. The first is our Core Purpose, Creating Unique Experiences or CUE. Every Team Member is focused on providing our properties, customers, partners and other Team Members with creative and unique experiences in ways that WOW them. The second way to provide clarity for all Team Members is through our Core Values; Positive Attitude, Reliability and Motivation.

3. OVER-COMMUNICATE CLARITY.

Consistent internal messaging is crucial. Simply put, we talk about OH continuously. Each meeting, every training session, even casual conversations include some degree of reminding ourselves of the fact that we are all dedicated to having a healthy culture.

4. REINFORCE CLARITY. Once we determined what our purpose and values were, a process had to be put in place for using them. Organizational Health (OH) is the lens through which we look at every decision made at MRG. This lens allows us to focus on how everything we do impacts our people. Are we, as an organization, working as hard at engaging our Team Members as we expect them to engage our customers? Yes, we are!

LEADERSHIP PLAN

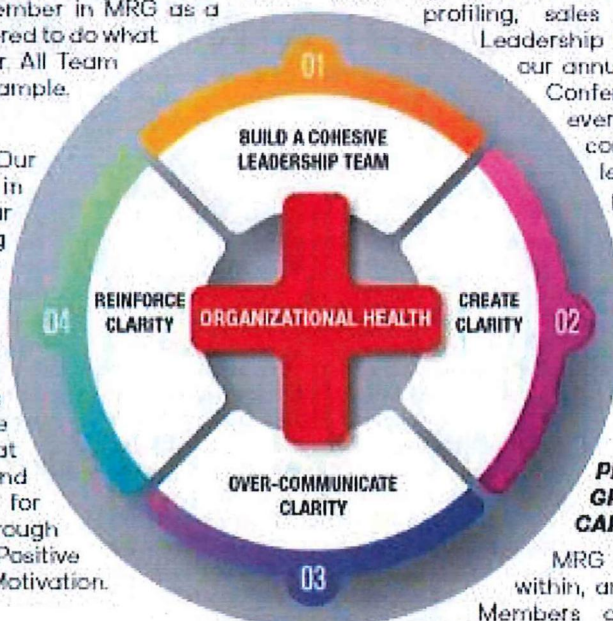
MRG believes that an organization must be dedicated to consistent and continual education for Managers and Supervisors at every level. One strong Manager can have an incredible positive influence on his/her environment and team. One poor Manager can have the same negative potential to dismantle a dedicated team. This is why we are heavily invested in a continuing education program for all supervisory Team Members.

Every quarter we hold Leadership University courses that focus on such topics as hiring, coaching, tactical teambuilding, communication profiling, sales and much more. The Leadership University culminates with our annual December Management Conference. All managers from every aspect of our business come together to network, learn from each other and participate in courses designed to make them the best managers they can be. We include such motivators as celebrations, surprises and awards, all built on a solid foundation for learning.

PROFESSIONAL GROWTH PROGRAM & CAREERPATHING

MRG works to promote from within, and affords two ways Team Members can pursue their career goals. The Professional Growth Plan, or PGP, as we call it, is an education program that allows a Team Member to move up the ladder in Retail Management or Merchandising/Buying Management.

We also offer our Careerpathing, and individual study programs for those who are looking outside of the Retail or Merchandising worlds. Coordinated self-study programs allow Human Resources to assist a Team Member in further learning about any area, ranging from Planning, Human Resources, Construction, to Business Development and more. Once a Team Member completes these programs, they graduate, and are then eligible to be promoted within the organization.



PRODUCT Quality Control

To remain competitive, we must meet and exceed customers' expectations. Every shipment we receive in our distribution center is personally inspected by our Quality Control team and cleared for delivery.

We will not accept inferior products from our vendor community and we pride ourselves in delivering first class product to our customers.

This effort is enhanced by developing a reputation that values the concept of selling high-quality products and continuing to Create Unique Retail Experiences for our customers.

DELIVERY LOGISTICS

MRG will work with our SFO Logistics team to deliver perishable and non-perishable products to the approved delivery zones. All delivery companies will be required to receive prior approval through TSA and SFO to deliver during the mandatory dock times, and to deliver to our specific locations to facilitate restocking the floor when the fewest number of flights occur.

LOGISTICS AND DELIVERY

Efficient delivery scheduling is critical to airport operation requirements and ensuring sufficient merchandising of inventory for store operations.

Our logistics plan recognizes these criteria and incorporates strategies that meet these mutual goals. The logistics and delivery program for the proposed project has these components:

DIRECT STORE DELIVERY (DSD)

Certain products are delivered directly to the airport by the vendor.

Deliveries are scheduled as needed, at a minimum of twice per week, allowing flexibility during peaks and valleys of airport business.

CENTRAL DISTRIBUTION CENTER

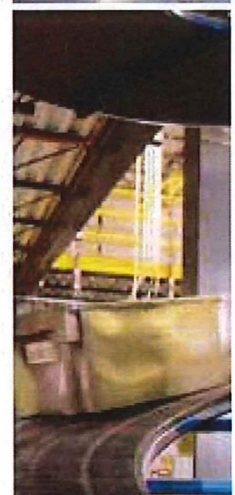
All non-DSD products are shipped from our Central Distribution Center in Las Vegas, Nevada. This state-of-the-art facility, combined with our merchandise management system, allows MRG to maintain sufficient inventory levels for all store locations. All products delivered to the store are ready to be placed on the floor. The product replenishment model of min/max floor quantities combined with individual SKU sales performance married with a Weeks of Supply Store on hand model eliminates out-of-stock situations at the store level.

We ship replenishment stock seven days per week, and we work very closely with FedEx to minimize travel time. This efficient distribution allows for maximum product flow with a laser focus on the products that sell well.

STORE ON-SITE STOCK

MRG designs fixtures to maximize product capacity and ease of shopping. When possible, we will design fixtures and stockroom capacities to maintain the needed merchandise levels for maximum performance. We strive to maintain a 2 to 3 week supply of product on hand, which ensures no stock outages, regardless of time of day or week.

In addition, we pride ourselves on outstanding relationships with our vendor partners who provide us with the necessary flexibility to receive any additional product shipments to meet the needs of our customers.





EQUIPMENT MAINTENANCE/REPAIRS

MRG Service Level Agreements (SLAs) include vendors being required to be on-site at the store to assess, troubleshoot and complete repairs within 72 hours of repairs being reported by the store. If parts are needed and/or additional visits to the store are required, vendors have 14 days to complete repairs. For an emergency request SLAs require a tech must be on site within four hours.

PREVENTATIVE MAINTENANCE

MRG utilizes preventative maintenance for stores to maintain equipment and ensure cleanliness.

- HVAC - Quarterly PM services
- Open Air Coolers - Quarterly or monthly depending on the equipment
- Janitorial Services - Frequency is based on several factors including foot traffic, sales and size of store.
- Fire Extinguisher - Annual inspection

EVERYDAY CLEANING AND MAINTENANCE

PAINT AND OTHER FINISHES

High traffic areas are refreshed on an ongoing basis, including touch-up painting on an as-needed basis. MRG will use products such as ProMar® 200 Zero VOC Interior Latex Paint, which has zero VOCs.

JANITORIAL SERVICES

MRG completes monthly janitorial services that include floor care, and general sales floor cleaning. Additional cleaning services are completed on an as-needed basis.

GARBAGE REMOVAL

Garbage is removed out of the store on a daily basis and recycled/disposed of in the appropriate areas as dictated by the lease.

PEST CONTROL

MRG has a monthly pest control program, or on an 'as needed' basis in conjunction with our neighbors. We adhere to the standards in accordance to The City and County of San Francisco (CCSF) Environment Code, Chapter 3.

SFO FACILITY MAINTENANCE PRACTICES

MRG understands the importance of being environmentally responsible, and we pride ourselves on being environmentally friendly. We strive to use only the most environmentally preferable products to minimize the burden on human health and on the environment.

This is our commitment to SFO and its travelers.

4. BUSINESS PLAN

Please refer to the Financial Pro Forma (Submittal D) located in File 6.

5. MINIMUM ANNUAL GUARANTEE OFFER

Please refer to the Minimum Annual Guarantee Offer (Submittal F) located in File 8.

monitoring, using, gaining access to or learning the import of the Cardholder Data; protect appropriate copies of Cardholder Data from loss, corruption or unauthorized alteration; and prevent the disclosure of passwords and other access control information to anyone.

iii. Tenant shall indemnify, defend, protect and hold City harmless from and against any and all claims, losses, damages, notices and expenses, including without limitation, any fines which City may be required to pay, which result from Tenant's breach of the provisions of this Section. Without limiting the generality of the foregoing, it is expressly agreed that if City pays any fine in connection with a breach by Tenant of the provisions of this Section, the foregoing indemnity obligation shall require Tenant to reimburse City the full amount of such fine within thirty (30) days of City delivering written notice to Tenant of City's payment of such fine. Tenant, at its sole cost and expense, shall fully cooperate with any investigation of any data loss or other breach of Tenant's obligations under this Section.

iv. The use of Cardholder Data is specifically restricted to only those applications directly pertaining to payments, including transaction authentication, or as required by applicable law.

v. If there is a breach or intrusion of, or otherwise unauthorized access to Cardholder Data stored at or for Tenant, Tenant shall immediately notify City and the acquiring financial institution, in the manner required by the PCI Data Security Standard Requirements, and provide City and the acquiring financial institution and their respective designees access to Tenant's facilities and all pertinent records to conduct an audit of Tenant's compliance with the PCI Data Security Standard Requirements. Tenant shall fully cooperate with any audits of their facilities and records provided for in this paragraph. Any costs incurred as a result of the breach or audit shall be the responsibility of Tenant.

vi. Tenant shall maintain appropriate business continuity procedures and systems to ensure availability and security of Cardholder Data in the event of a disruption, disaster or failure of Tenant's primary data systems.

vii. Tenant's and its successors' and assigns' compliance with the PCI Data Security Standard Requirements expressly survives termination or expiration of this Lease.

viii. Destruction of Cardholder Data must be completed in accordance with section 9 of the PCI DSS.

EXHIBIT C-1
FORM OF PERFORMANCE BOND FOR AIRPORT LEASES

(Surety)

KNOW ALL MEN BY THESE PRESENT:

That we, _____, as Principal, and _____, a corporation duly organized and existing under and by virtue of the laws of the State of _____, as Surety, are held and firmly bound unto the City and County of San Francisco, acting by and through its Airport Commission, as Obligee, in the sum of _____ Dollars (\$ _____) lawful money of the United States of America, to be paid to the City and County of San Francisco, acting by and through its Airport Commission, for which payment, well and truly to be made, we bind ourselves, our heirs, executors and successors, jointly and severally, firmly by these presents.

WHEREAS, the Principal has entered into one or more leases, permits, or agreements with the City and County of San Francisco, Airport Commission (collectively, the “**Agreements**”).

NOW, THEREFORE, the condition of this obligation is such that if the Principal shall perform all terms of the Agreements (which by reference are made a part hereof), including the payment of rent or fees, in accordance with the terms of such Agreements, then this obligation shall be null and void, otherwise to remain in full force and effect; and shall be effective _____.

This bond may be called upon by Obligee by a notice sent to the Surety in person or by registered mail, overnight mail, overnight courier service, or other courier service sent to our offices at:
_____.

Any such call by Obligee shall include a statement signed by the Airport Director of the Airport Commission of the City and County of San Francisco, or his/her designee, to the effect that any of the following events has occurred or is continuing:

- a) Principal has defaulted under one or more of the Agreements; or
- b) Principal has become insolvent, or has taken the benefit of any present or future insolvency statute, or has made a general assignment for the benefit of creditors, or has filed a voluntary petition in bankruptcy, or a petition or answer seeking an arrangement for its reorganization, or the readjustment of its indebtedness under the federal bankruptcy laws, or under any other law or statute of the United States or any state thereof, or any jurisdiction available to Principal, or has consented to the appointment of a receiver, trustee, or liquidator of any or substantially all of its property; or
- c) A petition under any of the federal bankruptcy laws or an action under any present or future insolvency law or statute has been filed against Principal.

We shall honor and pay on such call within ten (10) days after receipt.

We shall give you notice in writing by registered mail at least forty-five (45) days prior to the cancellation date, termination date or expiration date of this bond, if any is stated, of our intention to cancel, terminate, or non-renew this bond. In the event we fail to give such notice promptly, then this bond shall be deemed renewed for an additional one-year period.

Signed, sealed and dated this ___ day of _____, 20__.

Principal: By: _____

Title: _____

Seal: _____

Surety Company: By: _____

Title: _____

Seal:

(Attach Notary Public Certificate and Attorney-in-Fact form)

EXHIBIT C-2
FORM OF LETTER OF CREDIT FOR AIRPORT LEASES

Date _____

Irrevocable Letter of Credit No. _____

Airport Commission
City and County of San Francisco
Attn: Chief Business and Finance Officer
San Francisco International Airport
International Terminal, No. Shoulder Bldg., 5/F
PO Box 8097
San Francisco, CA 94128

Ladies and Gentlemen:

We hereby establish an irrevocable letter of credit in your favor in the amount of _____ United States Dollars (US\$ _____) for the account of _____ (“**Account Party**”), available by your draft at sight, when accompanied by the following document:

A statement signed by the Airport Director of the Airport Commission of the City and County of San Francisco, or his/her designee, to the effect that any of the following events has occurred or is continuing:

- a) Account Party has defaulted under the one or more agreements with the City and County of San Francisco, acting by and through its Airport Commission at San Francisco International Airport; or
- b) Account Party has become insolvent, or has taken the benefit of any present or future insolvency statute, or has made a general assignment for the benefit of creditors, or has filed a voluntary petition in bankruptcy, or a petition or answer seeking an arrangement for its reorganization, or the readjustment of its indebtedness under the federal bankruptcy laws, or under any other law or statute of the United States or any state thereof, or any jurisdiction available to Account Party, or has consented to the appointment of a receiver, trustee, or liquidator of any or substantially all of its property; or
- c) A petition under any of the federal bankruptcy laws or an action under any present or future insolvency law or statute has been filed against Account Party.

EXHIBIT D
TENANT WORK LETTER

Tenant Work Letter – Existing Terminals
Concessions Tenant Space Improvements
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C. Tenant Leasehold Design and Construction

1. General
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Drafts drawn under and in compliance with the terms of this letter of credit will be duly honored by us upon presentation and delivery of the statement specified above. Partial draws are permitted. Such drafts may be presented in person or by registered mail, overnight mail, overnight courier service, or other courier service sent to our offices at:

We shall give you notice in writing by registered mail at least forty-five (45) days prior to the cancellation date or expiration date of this letter of credit, if any is stated, of our intention to cancel or non-renew this letter of credit. In the event we fail to give such notice promptly, then this letter of credit shall be deemed renewed for an additional one-year period. Subject to the foregoing, this letter of credit shall expire on _____, 20__.

Sincerely,

A. GENERAL INFORMATION

1. GOVERNING CODES AND REQUIREMENTS

All Construction work performed at the San Francisco International Airport (SFO) shall comply with the requirements of the current California Code Regulations (CCR), Title 24, and Americans with Disability Act (ADA). The work must also comply with the requirements of the SFO Tenant Improvement Guide (TIG), a supplemental Airport document governing some aspects of Tenant construction, the California Uniform Retail Food Facilities Law (CURFFL) and the terms and conditions of the Lease, including but not limited to Section 7 [Investments; Alterations].

Tenants must obtain approval from the SFO Infrastructure Review Committee (IRC) and a building permit from SFO Building Inspection and Code Enforcement (BICE). Food and Beverage Concessions must complete plan review and obtain a Health Permit from the San Mateo County Environmental Health Department. Tenants are encouraged to secure a Green Business Certificate from the County of San Mateo.

Design of Concessions Tenant improvements shall be developed in accordance with the Design Review Committee Guidelines.

2. RIGHTS OF WAY

Any Tenant will need to obtain approval from any other tenants whose leased premises lie above or below occupied or restricted space to accommodate Tenant's mechanical equipment and grease exhaust system. Tenant plumbing and waste lines will not be allowed to cross above or go through Special Systems or Tenant Wiring Rooms. These paths of travel will need to be reviewed with BICE for acceptance.

3. EXISTING UTILITY RESPONSIBILITY

Tenant is responsible to remove any and all abandoned or no longer in use utilities within the leasable footprint including above and below the tenant space.

a. Electrical

Upon approval of a shutdown request from SFO the breakers and all associated wiring shall be removed from the entire run and a pull string shall be installed with this operation. The conduit may remain from the distribution panel to within 2' outside the tenant lease line. The conduit end outside the tenant space shall be capped and both ends of the conduit run shall be labeled with the panel location number and terminated space identification number. Any existing J box or pull can that will remain in the space shall be accessible and the box information shall be preserved on the box.

b. Data

Any existing phone or box that has been identified and confirmed with ITT as not in use nor serving any other spaces the tenant may remove it. All the cabling shall be removed from the conduit to the point of origin and a pull string shall be installed with this operation. The conduit shall be removed from the tenant space to a point of 2' outside the lease line and capped. Both ends of this abandoned conduit shall be identified with the location of the data room and the terminated space identification number. Any J box or

General. SFO is committed to reducing greenhouse gas emissions across its operations, including among its tenants. The Airport operates using SF Public Utilities Commission greenhouse gas-free electric power and promotes the use of electric commercial cooking equipment over emission-intensive natural gas alternatives. Natural gas will be provided upon request to tenants operating concessions designated as food and beverage tenants and other select tenant locations within the Terminal. Food and beverage uses designated as Specialty Coffee or Café will not have gas service available.

The airport system is designed to support up to 1,500,000 btu/hr at 0.25 psig. The natural gas system operates at 7" water column or 0.25 psig pressure and is available at tenant lease line. Tenant is responsible for the purchase and installation of a SFO approved gas meter and extending the gas service from the POC in the gas meter room into the demised premises as needed and acquiring an acceptance green tag for the installed system from BICE. The Tenant gas usage is metered by the Airport. Labeling of this line with the space name and number is required every 10 feet and at point of connection.

Tenant must also submit to the ZERO Committee an executed PG&E Authorization to Receive Customer Information to allow the Airport's tracking of natural gas used onsite, and keep such authorization active during the term of the tenancy.

2. FIRE SPRINKLERS

The Airport will provide a "wet type" Fire Sprinkler System complying with the requirements of the NFPA 13 and the Airport Fire Marshal. The Tenant shall install a hydraulically calculated fire sprinkler system throughout the leased premises, reviewed and approved by the Airport Fire Marshal. Sprinklers shall be concealed or flush pendant quick response type heads. Tamper switches shall be provided for all valves normally in the open position and shall be PPDT self-storing type devices. All components of the fire sprinkler system shall be UL listed. The tenant's subcontractor is required to submit a shutdown request 3 days prior of any scheduled work performed on the Airport sprinkler system.

3. HVAC SYSTEMS & CONTROLS

The Terminal is serviced by a central heating, ventilation and air conditioning (HVAC) system. The system is a variable volume conditioned air system fed from multiple air handlers. Return air shall have transfer air duct from each tenant space to ceiling return air plenum. The supply air system allowance at 63°F and 1.1 CFM per square foot. The tenant is required to have their mechanical engineer of record provide a letter to the SFFD stating that their system will not affect the base building smoke control system. Tenant spaces shall be designed for overhead supply air system (mixing ventilation) or for displacement ventilation depending on location within the Terminal (refer to utility point of connection drawings). Hot Water piping is available for re-heat coils at temperatures at 150°F (secondary side). Victaulic couplings will not be permitted on hot water system. Tenant will connect Tenant's HVAC system at the designated location(s) of the base building's conditioned supply air duct system and extend system as necessary throughout the leased premises providing VAV terminal boxes and necessary DDC controls to maintain proper temperature and maximize energy conservation in the space. Should Tenants need additional tempered air beyond the capacity of the base building system, Tenants must install their own supplemental roof top equipment at an approved Airport location. The Tenant is responsible to contract with a licensed roofing contractor for any repairs to the roof.

contractor will need to remove these circuits to the closest junction box outside of their space and have it approved by BICE.

Tenant shall be responsible for procurement and installation of all other work required to provide a complete electrical distribution system including feeder circuit breakers and electrical meter circuit transformers (CT's) in the Airport's Tenant Metering Switchboard and feeder wiring from the Switchboard to the Tenant's Distribution Panel.

The Airport will install the Tenant Meter and energize the service to the space upon BICE approval of the Tenant's electrical system installation. Tenant will contact the Airport Electrical Shop at (650) 821-5489 to schedule installation of the SFO provided meter into the metering panel after the Tenant's electrical system has been approved by BICE Inspectors.

a. Equipment REQUIREMENTS

Note that the Airport specifies all products to be installed shall match the Airport Electrical Rooms existing equipment including, but not limited to the following: For a 277/480V electrical service connection, the Tenant shall install a maximum of 200A feeder circuit breaker in the Tenant Metering Switchboard. Ground fault breakers within the Airport's 277/480V Tenant Metering Switchboard shall be Square D model Power Pact type HJ with GFM (ground fault module add-on) or match the existing panel gear. The Tenant may transform the 480V service to another voltage from the Tenant's Distribution Panel. Tenant's Distribution Panel and all other Tenant installed electrical equipment shall be located within the lease line as indicated on the Tenant's lease outline drawings. Or an approved Electrical closet designated for tenant equipment.

For a 120/208V electrical service connection, the Tenant shall install a maximum 50A feeder circuit breaker in the Tenant Metering Switchboard. Breakers within the Airport's Tenant Metering Switchboard shall be Square D model SE R ET, or match the existing panel gear. Tenant's Distribution Panel and all other Tenant installed electrical equipment shall be located within the lease line as indicated on the Tenant's lease outline drawings.

Electrical meter circuit transformers (CTs) are sized according to the service load: for 100A service use 100:5 CT. CT wiring should be lengthened when necessary with color coded twisted pair #16 gauge using butt splices (not wire nuts) and clearly labeled where terminated at the shorting block. CT ratio shall be labeled at the shorting block where the CTs are terminated.

be discussed with SFO's ITT Department (650) 821-4361.

- c. The individual CAT5e/6/6A and/or Single Mode/Multi Mode Fiber cabling inside of the Airport TWC and/or SSR will need to be terminated on an Airport provided Ethernet Patch Panel and/or Fiber LIU by the Tenant unless otherwise directed by SFO ITT. The location of where the Tenant can terminate their cable inside of the Airport's TWC will be designated by SFO's ITT Department (650) 821-4361. Inside of the Tenant's space, it is recommended that the cable be terminated on Ethernet Patch Panels and/or Fiber LIU's on an accessible communication backboard or 19-inch relay rack.

Copper Station Cabling Inside of a Tenant Space: The Tenant is required to furnish and install one (1) CAT 5e/6/6A cable per voice or data jack inside the Tenant's space. All voice CAT 5e cables should be terminated on the same block as the Tenant's feeder cable. All Data CAT 5e/6/6A cables should be terminated on a patch panel or a multi-port surface mount block close to the Tenant's network equipment. The Airport recommends the installation of two (2) Voice CAT 5e and two (2) Data CAT 5e/6/6A Cables per communications outlet.

Coaxial Cable for Cable TV Service: If the Tenant requires Cable TV Services inside of their space, they will need to install the following to get service from the Airport's HDTV Service Provider who is the sole provider of TV Services at SFO. Inside of the same 2" Telecommunication Conduit feeding the designated Tenant Space from the closest Airport TWC and/or SSR, the Tenant will need to furnish and install a single RG-11 or RG-6 quad-shielded Coaxial Cable (which will be dictated by SFO due to distance and quantities of devices) to a backboard that is located inside of the Tenant space. This cable will be used to distribute TV services to up to eight (8) receivers within the same Tenant space. If more than eight (8) receivers within the same Tenant space are required, a second RG-11 quad-shielded Coaxial Cable will have to be installed by the Tenant.

The Tenant needs to provide the following Communication Drawings within their BICE Submittal package:

- a. The location of the Tenant Communications Backboard, Voice, Data and Cable TV outlets with callouts inside of their proposed space.
- b. A single line riser diagram showing the conduit(s) run from the Tenant space to the designated Airport TWC and/or SSR, including what will be installed in the conduit.

7. SOLID WASTE MANAGEMENT

The Airport is required by City Ordinance achieving zero waste by 2020. Tenants are required to cooperate with the Airport to maximize the rate of solid waste recycling and source separation.

Tenants shall maximize recycling and composting within their leasehold by providing separate, labeled containers for recyclables, compostable, and landfill waste/trash. Tenants shall source separate each type of material in the designated recycling, compost, or landfill waste/trash container and shall be responsible for ensuring that all employees and patrons do the same.

Tenants are prohibited from disposing of recyclable or compostable items into any landfill waste/trash compactor or container anywhere in the Airport including, but not limited to, their leasehold and designated Materials Recovery Area. Tenant is required to minimize solid waste

Tenant shall design, engineer and construct, at its sole expense, all improvements and alterations necessary for Tenant to conduct the Permitted Use in the Premises, in accordance with all applicable Laws, Codes and other requirements. Workshops and meetings are delineated herein that will provide information about the process, criteria and schedule that should enable Tenants and their Consultants to accomplish their responsibilities in a timely, cost effective manner. It is the Tenant's responsibility to manage their project, consultants and contractors.

Attendance at all workshops and meetings is mandatory.

2. DESIGN

Plan Development and Approvals. The Tenant shall engage architectural/engineering professionals licensed by the State of California, experienced in food, retail or other concession service design to prepare Tenant's leasehold improvement plans. The Tenant is responsible for obtaining all necessary approvals including Airport Design Review Committee (DRC) design approval, SFO Infrastructure Review Committee approval (IRC), building permit issued by Building Inspection and Code Enforcement (BICE), and a Health permit issued by the San Mateo County Environmental Health Department when required. BICE will not accept an application for a building permit without prior design approval by the Airport's DRC and IRC. Tenant is required to comply with the Airport's sustainability requirements as further detailed below, which must be coordinated with the Airport's ZERO committee.

- a. **Lease Outlines.** The Airport will distribute Tenant Lease Outline Drawings to enable Tenant's design consultants to prepare Tenant's leasehold improvement plans.
- b. **Tenant Verification of Existing Conditions.** Tenant shall physically survey the demised premises at the earliest opportunity after signing of Tenant Lease to verify existing conditions and acknowledge the results in writing on an Airport-provided form.
- c. **Tenant Signage Requirements.** Tenants shall submit to the DRC for review graphics for their blade and storefront signage logos.
- d. **Design Review Committee Approval.** Upon completion of Tenant's leasehold design, Tenant shall submit plans for review by Revenue Development and Management (RDM) Property Manager. Property Manager will review plans to ensure Tenant's design meets space requirements and Permitted Use as defined in Tenant's Lease. The Property Manager will then schedule a DRC meeting wherein the Tenant will present initial renderings and material boards. Tenants shall complete the design review process in a timely manner and the Airport will provide Tenants with the estimated opening date upon signing of Tenant's lease and will inform Tenant in writing of any changes to said date.
- e. **ZERO Committee Approval.** SFO's ZERO (Zero Energy & Resilient Outcomes) Committee is responsible for ensuring all projects align with the Guiding Principles of Sustainability and contribute to the attainment of the Airport's 5-Year Strategic Plan goals of becoming a zero net energy, zero carbon and zero waste to landfill campus. To that end, Tenants must electronically submit a Sustainability Project Narrative (noting areas of alignment with SFO's Guiding Principles of Sustainability and SFO's Sustainable Planning, Design and Construction Guidelines), Green Business Checklist, LEED Scorecard (SF GS-6 Form representing the project's LEED Checklist,

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\$1,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Contractual Liability, Personal Injury, Products Liability and Completed Operations Coverage's.

2. Commercial Automobile Liability Insurance with limits not less than \$2,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Employer's non-ownership liability and hired auto coverage's.
 3. Builder's Risk Insurance on an all risk form, with coverage and limits equal to one hundred percent (100%) of the completed value to date of the work to be completed under this Tenant Work Letter.
- c. **Local Hiring Ordinance.** Per the San Francisco Local Hiring Ordinance (LHO), construction cannot start on any projects with an estimated cost of \$750,000 or more, until the Tenant has submitted the appropriate forms to the Airport Employment Quality & Standards office.
 - d. **Preconstruction Meeting.** Tenant and Tenant's contractor shall attend a preconstruction meeting on site prior to beginning construction.
 - e. **Construction Coordination Meetings.** Tenant and/or Tenant's contractor is required to attend construction coordination meetings to ensure coordination of Tenant work and related SFO tenants.
 - f. **Construction Safety.** Tenant's contractors will comply with all local, state and federal OSHA guidelines to support San Francisco International Airport's core value "Safety and Security is our first priority." All tenant contractors shall present a jobsite construction safety program to the tenant coordinator prior to starting any work at SFO.
 - g. **Deliveries.** All Tenant deliveries will be coordinated with ADM and Airport Operations during the weekly construction meeting.
 - h. **Airport ID Badging.** All construction workers are required to have an Airport ID badge while working at the airport.
 - i. **Tenant Construction Schedule.** Tenant shall submit a construction schedule at the preconstruction meeting. Tenant shall submit schedule updates to the Tenant Coordinator on a monthly basis until completion of Tenant Work.
 - j. **Barricades.** Upon receipt of notification from the Airport that the premises are ready for Tenant Work, Tenant shall install a construction barricade along openings at the lease line. Tenant is responsible for maintenance, demolition, and disposal at completion of Tenant Work. Tenant is responsible for mitigation dust control.
 - k. **Security.** Tenants and Tenant contractors are responsible for storing and security of all equipment and materials within the construction site.
 - l. **Demolition, Cutting, Patching, and Fireproofing.** The Tenant will notify the tenant coordinator at least one week in advance of any demolition, cutting and or patching that may be necessary outside the confines of the leased premises to facilitate Tenant's construction. The Tenant is responsible for maintaining the integrity of any required fire caulking and fireproofing within the confines of the leased premises.

- (ii.) SFO Sustainable Planning, Design and Construction Guidelines located at <http://www.flysfo.com/community-environment/environmental-sustainability-reports>.
- b. California Building Standards: Tenant shall provide documentation to the ZERO Committee to demonstrate compliance with the California Building Standards Code (California Code of Regulations (CCR) Title 24) Part 6 (Energy) and Part 11 (CALGreen).
- c. LEED Scorecard: Tenant shall submit to BICE, SF Environment and the ZERO Committee a "LEED Scorecard" (Green Submittal 6 (GS-6)) to demonstrate compliance with Chapter 7 of the San Francisco Environment Code.
- d. Green Business Program: Tenant shall register its business with the California Green Business Program (<http://greenbusinessca.org/>), complete all applicable requirements for certification, including but not limited to those related to energy conservation and performance, and provide a checklist to the ZERO Committee. Tenants that are certified through the Green Business Program will be recognized on program websites, receive a certificate to display and electronic logo for use, and be recognized at an annual Airport event.
- e. Construction and Demolition Debris Management:
 - (i.) Tenant shall divert a minimum of 75% construction and demolition debris from landfill. Tenant's General Contractor shall be required to prepare a Construction and Demolition Debris Management Plan (CDDMP), submit monthly Construction and Demolition Debris Recovery Worksheets, and submit a Final Diversion Report (Construction and Demolition Debris Report) consistent with the standards set forth Sections 7 and 14 of the San Francisco Environment Code along with providing copies to the ZERO Committee.
 - (ii.) Tenant shall obtain the required City Construction and Demolition Debris Forms from:

San Francisco Department of the Environment (SF Environment) Construction & Demolition Recovery Specialist

1455 Market Street, Suite 1200, San Francisco, CA 94103

Phone: 415.355.3710

<http://www.sfenvironment.org/c&d>
- f. Toxics Reduction and Pollution Prevention: All projects that include furniture and/or interior surfaces (e.g., countertops, doorknobs, handles, wall paints, carpet) within the project scope shall comply with the attributes defined within the Chapter 7 of the San Francisco Environment Code (e.g., emission of volatile organic compounds, fluorinated chemicals, antimicrobial chemicals, required ecolabels, etc.).

pre-approved LEED v4 ID+C pre-requisites and credits.

- (3.) For tenant improvement projects less than 10,000 gross square feet, Tenant is not required to achieve LEED certification but is required to submit the LEED Scorecard that demonstrates the maximum LEED credits that are practicable for the project and pursue these credits through the design and construction process as required by Chapter 7 of the San Francisco Environment Code. The LEED Scorecard is to be submitted to the BICE, SF Environment and ZERO Committee during the conceptual design phase and as a final as-built indicating all LEED credits that would be achieved if the project had been certified.
- (4.) Sustainable Innovation Credit: Tenants who show considerable effort in incorporating sustainability into their design and operation are eligible to submit for a Sustainable Innovation Credit through RDM. SFO does not guarantee acceptance of Sustainable Innovation Credit to any tenant prior to applying.

END OF DOCUMENT

pre-approved LEED v4 ID+C pre-requisites and credits.

- (3.) For tenant improvement projects less than 10,000 gross square feet, Tenant is not required to achieve LEED certification but is required to submit the LEED Scorecard that demonstrates the maximum LEED credits that are practicable for the project and pursue these credits through the design and construction process as required by Chapter 7 of the San Francisco Environment Code. The LEED Scorecard is to be submitted to the BICE, SF Environment and ZERO Committee during the conceptual design phase and as a final as-built indicating all LEED credits that would be achieved if the project had been certified.
- (4.) Sustainable Innovation Credit: Tenants who show considerable effort in incorporating sustainability into their design and operation are eligible to submit for a Sustainable Innovation Credit through RDM. SFO does not guarantee acceptance of Sustainable Innovation Credit to any tenant prior to applying.

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HARVEY MILK TERMINAL 1 BOARDING AREA B – PHASES 3 & 4
TENANT WORK LETTER

This **HARVEY MILK TERMINAL 1 BOARDING AREA B PHASES 3 & 4 TENANT WORK LETTER** (this “**Tenant Work Letter**”) is incorporated by reference into the Lease by and between Tenant and City. Capitalized terms not defined herein shall have the meanings given them in the Lease. This Tenant Work Letter is a specific work letter applicable to The Harvey Milk Terminal 1, Boarding Area B, although should be reviewed and complied consistent with the Tenant Improvement Guide (the “**TIG**”), which may be accessed at <https://sfoconnect.com/tenant-improvement-guide-0>.

1. BASE BUILDING CONSTRUCTION

A. **Overview.** San Francisco International Airport (the “**Airport**” or “**SFO**”) is currently under contract with a Base Building Contractor (“**BBC**”) for construction and/or renovation of The Harvey Milk Terminal 1 (the “**T1 Project**”) in which Tenant’s Premises will be located (the “**Terminal**”). It is anticipated that Tenant will undertake design and construction of its Premises (“**Tenant’s Work**”) prior to the Airport’s completion of the overall T1 Project. Tenant and other entities hired by the Tenant, including Tenant’s contractor and design professionals, must cooperate at all times with the Airport’s in-house base building work project team (the “**Airport Project Team**”) and the BBC during the design and construction of Tenant’s Work. Access to the Premises may be limited or restricted at times. Tenant’s design, construction and operational teams will need to coordinate with modifications to the BBC logistics plan as modified over the course of fit-out and start up operations. Tenant construction must coordinate with BBC for any planned interruptions for base building systems testing as required for base building occupancy. A tenant coordinator (“**Tenant Coordinator**”) from the Airport Project Team and a Property Manager from SFO Revenue and Development (“**Property Manager**”) will facilitate Tenant interaction with the base building construction (“**Base Building Construction**”).

B. **Right of Way.** The BBC will provide a reasonable right-of-way within, above and below all Tenant spaces to accommodate Tenant’s mechanical equipment, grease exhaust system, sanitary and grease waste lines. Tenant plumbing and waste lines will not be allowed to cross above or go

- Airport’s Sustainability Requirements, which must be coordinated through the Airport’s Zero Committee, as further set forth below in the Section 6 below: “SFO Sustainability Requirements”;
- the California Uniform Retail Food Facilities Law (CURFFL) (for food and beverage concession tenants); and
- the terms and conditions of the Lease, including but not limited to Section 7 of the Lease [Investments; Alterations].

C. Specific Approvals. Prior to commencing Tenant’s Work, Tenant must obtain the following (as further discussed below):

- Approval of construction plans from the Airport’s Design Review Committee (the “**DRC**”) and the Zero Energy and Resilient Outcomes Committee (the “**ZERO Committee**”).
- Upon approval from the DRC and the Zero Committee, Tenant must obtain a building permit from SFO Building Inspection and Code Enforcement (“**BICE**”).
- All food and beverage concession tenants must also complete plan review and obtain a health permit from the San Mateo County Environmental Health Department.

D. Design Review and Permitting Workshop. Upon the written notification to Tenant of the Estimated Opening Date, the Property Manager and Tenant Coordinator will host an informational workshop for Tenant to provide insight into the review and approval process of the DRC and Zero Committee, as well as the permitting process under BICE. The presentation includes a period for questions and answers. In preparation of design drawings for Tenant’s Work, Tenant is advised of the following:

- (i) Lease Outlines, Point of Connection, and Base Building Drawings. The Airport will distribute Tenant Lease Outline Drawings and Point of Connection Drawings in PDF format. The BBC will provide access to base building construction documents in PDF format and models in AutoDesk Revit format to enable Tenant’s design consultants to prepare design plans for Tenant’s Work.
- (ii) Tenant Verification of Existing Conditions. Tenant shall physically survey the Premises at the earliest opportunity after executing the Lease to verify existing conditions and acknowledge the results in writing on an Airport-provided form.
- (iii) Tenant Signage Requirements. Tenant shall refer to the Tenant Design Guidelines for requirements on tenant signage.

E. DRC, Zero Committee, BICE Approvals and Permits. Design review steps and required permits include, but are not limited to, the following:

- (i) Preliminary Review by Property Manager. Upon completion of Tenant’s schematic designs for the Premises, Tenant shall submit such plans to the Property Manager and Tenant Coordinator for review by the Airport Project Team. The Property Manager will review plans to ensure Tenant’s design meets space requirements, adhere to the T1 Design Guidelines and the Permitted Use. If Tenant’s plans meet Lease requirements, and have met project sustainability requirements and ZERO Committee

(v) **San Mateo County Health Permit.** Food and beverage tenants shall submit an application to the County of San Mateo for a Health Permit, concurrent with their BICE review. San Mateo County Health Permit requirements and processes can be found at www.co.sanmateo.ca.us.

(vi) **ABC Liquor License Permit.** Tenants seeking a transfer, renewal, or new Liquor License may go to: <http://www.abc.ca.gov/>. For information regarding zoning as it applies to ABC forms, contact Tiare Pena at the San Mateo County Planning Department (650) 363-1850. Posting of liquor license notices shall be coordinated with the Tenant Coordinator.

4. **PRIOR TO COMMENCEMENT OF CONSTRUCTION**

The Airport shall provide written notification to Tenant that the Premises are ready for commencement of Tenant's Work. Upon notification that the Tenant may commence Tenant's Work, Tenant and Tenant's contractor will physically survey the Premises with the Property Manager and the Tenant Coordinator and acknowledge in writing to the Airport that the space is acceptable. In addition to the foregoing, prior to commencement of construction, Tenant shall satisfy the following requirements:

A. Local Hiring Ordinance. Pursuant to the San Francisco Local Hiring Ordinance, construction cannot start on any projects with an estimated cost of \$750,000 or more per building permit, until Tenant has submitted the appropriate forms to the Airport Employment Quality & Standards office.

B. Tenant Contractor Insurance.

(i) Prior to the issuance of a building permit from BICE, Tenant's contractor shall obtain the following insurance in accordance with the following:

- (a) Workers' Compensation Insurance with Employer's Liability limits not less than \$1,000,000 each accident, illness or injury.
- (b) Commercial General Liability Insurance with limits not less than \$1,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Contractual Liability, Personal Injury, Products Liability and Completed Operations Coverage's.
- (c) Commercial Automobile Liability Insurance with limits not less than \$2,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Employer's non-ownership liability and hired auto coverage's.
- (d) Builder's Risk Insurance on an all risk form, with coverage and limits equal to one hundred percent (100%) of the completed value to date of the work to be completed under this Tenant Work Letter.

(ii) All insurance required by Tenant's contractor hereunder shall be pursuant to policies in form and substance and issued by companies satisfactory to City and City's City Attorney. City may, upon reasonable notice and reasonable grounds increase or change the required insurance hereunder, in which event Tenant's contractor shall obtain such required

B. **Debris Removal.** Tenant's contractor is responsible for proper trash and debris disposal. Tenant is required to submit an SFO-approved debris management plan prior to starting work. *For complete debris removal requirements, please see Sustainability Requirements set forth in Section 6 of this Letter.*

C. **Site Logistics.** Tenant contractors must plan for lay down space within the Premises. The BBC will supply and maintain the following items on site for the use of all tenant contractors:

- Lavatory facilities.
- Debris boxes.
- Temp power – Tenants requiring welding will need to provide for their power; Tenants shall coordinate with BBC on the duration Temp power availability.
- Parking – Limited parking within, and adjacent to, the construction site may be available, provided there is no conflict with BBC construction logistics, milestones, or Airport Operations. All parking must be coordinated with BBC and/or Airport Operations.

D. **Construction Safety.** Tenant's contractor must comply with all local, state and federal OSHA guidelines to support the Airport's core value "Safety and Security is our first priority." A base building jobsite construction safety orientation program shall be required of all tenant construction workers prior to starting work at the Airport. The jobsite construction safety orientation program will be made available to Tenant's contractor through the BBC. In addition, an SDS binder shall be on site at all times with up-to-date chemical information on all products being installed in case of an emergency.

E. **Preconstruction Meeting.** The BBC, Tenant and Tenant's contractor shall attend a preconstruction meeting on site prior to beginning construction.

F. **Construction Coordination Meetings.** The BBC, Tenant and/or Tenant's contractor is required to attend weekly construction coordination meetings to ensure coordination of Tenant's Work with the base building construction work.

G. **Concessions Partnering Sessions.** The BBC, Tenant, Tenant's Designer, and Tenant's contractor is required to attend monthly Structured Collaborative Partnering Sessions.

H. **Deliveries.** All Tenant deliveries will be coordinated with the BBC and the Airport Project Team during the weekly construction meeting. Any large Tenant items will need to be stored off-Airport until such items are ready to be installed within the Premises. Lay down and staging areas outside of the Premises are limited and requests for laydown or staging will be reviewed on a case-by-case basis.

H. **Airport ID Badging.** All construction workers will have to have an Airport ID badge while working in the terminal (whether before or after the buildings where the work spaces are located are secure), making deliveries from the airfield, or once the site becomes sterile.

I. **Tenant Construction Schedule.** Tenant shall submit a construction schedule at the preconstruction meeting. Tenant shall submit schedule updates to the Tenant Coordinator on a bi-weekly basis until completion of Tenant's Work.

J. **Barricades.** Upon receipt of written notification from the Airport that the Premises are ready for Tenant's Work, Tenant shall install a construction barricade along openings at the lease line. Tenant shall coordinate with the BBC prior to installation of the barricade. Tenant is responsible for maintenance, demolition, and disposal at completion of Tenant's Work. Tenant is responsible for mitigation dust control.

Q. **Indemnity.** Tenant's release and indemnification of the Airport as set forth in Sections 12.1 and 12.2 of the Lease also shall apply with respect to any and all Losses related in any way to any act or omission of Tenant, its contractor, subcontractor, engineer, consultant, employee or agent, or anyone directly or indirectly employed by any of them, with respect to Tenant's Work, or in connection with Tenant's non-payment of any amount arising out of or related to Tenant's Work.

6. SUSTAINABILITY REQUIREMENTS

A. **General.** SFO is committed to prudent environmental stewardship and has integrated sustainable planning, design, construction, and operational strategies into its physical facilities. It is anticipated that this process will result in exceptional project outcomes that provide long-term positive environmental, social, and financial benefits. Tenant is encouraged to contribute to these sustainable development efforts, and to use creative and innovative design, construction, and operational strategies to create aesthetically pleasing and environmentally responsible space in alignment with SFO's sustainability goals.

B. **Base Building Contract.** The BBC will design and construct the building where the Premises are located such that when completed it will at a minimum: (i) be energy and water efficient, (ii) use materials and products that are environmentally preferable and that support improved indoor environmental quality, (iii) comply with the current version of CALGreen, the SF Environment Code, and (iv) designed to achieve a LEED BD+C or C+S minimum Gold certification.

C. **Tenant's Work.** In connection with the planning, design and construction of Tenant's Work, Tenant is required to comply with the following:

(i) ZERO Committee Process: Tenant shall review SFO's sustainability goals and guidelines. Tenant shall submit to ZERO Committee (and/or ZERO Tenant Subcommittee) for its approval, an Intake Form found on the ZERO Committee website, a narrative describing how Tenant's design and operations will meet these goals and guidelines. The drawing review should take place after the Design Review. Relevant Airport documents include:

- Guiding Principles of Sustainability as described in San Francisco International Airport's Delivering Exceptional Projects – Our Guiding Principles (pg. 49-54), located at <http://www.sfoconstruction.com/>.
- SFO Sustainable Planning, Design and Construction Guidelines located at <http://www.flysfo.com/community-environment/environmental-sustainability-reports>.
- Zero Energy and Resilient Outcomes (ZERO) Committee website: <https://sfoconnect.com/zero-energy-and-resilient-outcomes-zero-committee#sfoc-tab-0>

(ii) California Building Standards and Codes. Tenant shall provide documentation to the ZERO Committee to demonstrate compliance with the California Building Standards Code (California Code of Regulations (CCR) Title 24) Part 6 (Energy) and Part 11 (CALGreen). In addition to and without limiting the foregoing sustainability requirements, Tenant shall comply with all applicable green building laws, codes, ordinances, rules and regulations, including but not limited to, those required under the San Francisco Environment Code and the 2016 current version of the California Building Standards Code (Title 24 of the California Code of

- Tenant will present all required materials to the ZERO Committee at regularly scheduled meeting during the design process prior to the approval of the ZERO Committee.
- The LEED Scorecard must be submitted at the conclusion of each design phase and at project close-out, along with required documentation and a copy of the project LEED certificate.
- Tenant shall demonstrate that the project achieves the following LEED credits required through Chapter 7 of the San Francisco Environment Code: (i) LEED prerequisite Fundamental Commissioning and Verification and Enhanced and Monitoring-Based Commissioning; (ii) LEED credit for Construction and Demolition (C&D) Debris Management - diverting 75% C&D Material from the landfill; (iii) LEED credit for Enhanced Indoor Air Quality Strategies; (iv) LEED credit for Construction Indoor Air Quality Management Plan; (v) LEED credit Indoor Air Quality Assessment Option 2: Air Testing; and (vi) LEED credit for Low Emitting Materials.

(x) LEED Scorecard for Projects Less than 10,000 Square Feet. For tenant improvement projects less than 10,000 gross square feet, Tenant is not required to achieve LEED certification but is required to submit the LEED Scorecard that demonstrates the maximum LEED credits that are practicable for Tenant's Work and pursue these credits through the design and construction process as required by Chapter 7 of the San Francisco Environment Code. The LEED Scorecard is to be submitted to the BICE, SF Environment and ZERO Committee during the conceptual design phase and as a final as-built indicating all LEED credits that would be achieved if the project had been certified.

(xi) Sustainable Innovation Credit. Tenants who show considerable effort in incorporating sustainability into their design and operation are eligible to submit for a Sustainable Innovation Credit through Airport Revenue and Development, however, the Airport does not guarantee acceptance of Sustainable Innovation Credit to any tenant prior to applying.

(xii) PG&E Tracking of Natural Gas Use. If the Premises will utilize natural gas, Tenant must submit to the ZERO Committee an executed PG&E Authorization to Receive Customer Information to allow the Airport's tracking of natural gas used onsite, and keep such authorization active during the term of the tenancy.

(xiii) Building Electrification. The Airport is moving towards 100% building electrification by eliminating natural gas throughout its entire infrastructure. Natural gas usage introduces a fire risk to the Airport, and affects healthy indoor air quality while contributing to greenhouse gas emissions. Existing buildings are being evaluated for energy reduction opportunities as part of the Energy Benchmarking Study. From there, we will need to incorporate decarbonization opportunities in our business processes, including the ZERO Committee, sustainable building techniques, "reach" codes (i.e. building codes that exceed present-day energy standards), energy audits, and our Green Business program. The Airport will need to work with tenants to migrate existing gas uses like cooking, water heating, and other processes to zero-carbon equipment.

(xiii) Energy Efficiency. Tenant shall whenever practicable reduce lighting power density below code required levels; purchase only ENERGY STAR rated equipment and

(ii) BBC Scope. The BBC will provide a 4-inch sanitary sewer line below the slab within the confines of the Premises designated to receive sanitary sewer service and this pipe will be installed in a manor to which the POC will accommodate drainage from any point within the lease premises. The piping shall be labeled with the space number every 10 feet and at point of connection. The BBC will also provide a 3-inch vent pipe within the Premises for Tenant's use.

(iii) Tenant's Scope. Tenant shall install a complete sanitary system to tie into the designated POC connection for SS and vent. All Floor penetrations must be imaged by an Airport approved imaging method (i.e., x-ray or sonograph) at Tenant's sole cost prior to core drilling. Tenant contractor shall submit plans for review by the BBC for coordination of core locations and supplemental structure required to accommodate the tenant design.

C. Grease Waste.

(i) General. The Terminal's grease waste will be serviced by an Airport-contracted provider at the expense of Tenant. In addition to grease waste, Tenant shall provide for disposal of cooking oil waste, as further described in Section 9 "Cooking Oil Waste" below.

(ii) BBC Scope. The BBC will provide a 4-inch grease waste line below the slab designated to receive grease waste. This piping will be installed in a manor to which the POC will accommodate drainage from any point within the lease premises, and this piping will be of materials that will not allow grease to coat the interior of the pipe line. These lines will be labeled with the space number every 10 feet and at point of connection. The BBC will also provide a 4-inch line at a designated ramp level location connected to the sanitary sewer system and a vent line connection in proportion for the tenant grease interceptor.

(iii) Tenant's Scope. Tenant is responsible for installing a complete grease waste interceptor system in an approved location. The grease interceptor unit itself shall have a plaque with the space name and a 24 hour contact number attached to it. This designated location is where the Tenant-provided grease waste interceptor will be installed by the Tenant's plumbing contractor. Tenant shall make the necessary inter-connections to the sanitary sewer, grease waste lines and vent from its grease waste interceptor. The kitchen area floor drains and prep sinks of food and beverage tenants shall be tied to the grease waste line POC provided by the BBC. Tenant is responsible for installing grease waste lines with the same material as the base building material within the Premises and label these lines every 10' with the space number Tenant contractor shall submit plans for review by the BBC for coordination of core locations and supplemental structure required to accommodate the tenant design.

D. Natural Gas.

(i) General. SFO is committed to reducing greenhouse gas emissions across its operations, including among its tenants. The Airport operates using the San Francisco Public Utilities Commission greenhouse gas-free electric power and promotes the use of electric commercial cooking equipment over emission-intensive natural gas alternatives. Natural gas will be provided upon request to tenants operating concessions designated as food and beverage tenants and other select tenant locations within the Terminal. Food and beverage uses designated as Specialty Coffee or Café will not have gas service available. The Airport's natural gas system is designed to support up to a maximum of 1,500cf/hr at 0.25 psig. Each Food and Beverage space has a designated "Maximum Connected Load" associated with the space, determined on the

permitted on the hot water system. The Premises will not be monitored by the base building BMS.

(ii) BBC Scope. For Premises located in areas served by central displacement ventilation, the BBC will provide a point of connection to the 100% OSA system with an allowance of up to 0.4 CFM/ft² of ventilation air between 65°F and 75°F. The BBC will also provide points of connection to the chilled water and hot water supply and return at isolation valves. A means to drain condensate will be provided (either sanitary or condensate drain) to areas receiving tempered ventilation air. Cooling loads are sized to provide 150 sf/ton for food and beverage tenants and 250 sf/ton for retail tenants. Heating loads are sized to provide 30 BTU/sf of heating for food and beverage tenants and 30 BTU/sf of heating for retail tenants. For Premises located in areas served by central overhead supply air systems, the BBC will provide points of connection to the supply and return ducts. If the Premise is located on the apron level, cooling supply air allowance will be 0.85 CFM/ft². If the Premise is located at the interior of the mezzanine level, cooling supply air allowance will be 1.0 CFM/ft². If the Premises is located at the exterior of the mezzanine level, cooling supply air allowance will be 1.5 CFM/ft². The BBC will also provide 30 Btuh/SF of heating to food and beverage tenants and 30 Btuh/SF of heating to retail tenants. The BBC will install chilled and hot water BTU meters at the points of connection to the Premises. The BTU meters will be specified by the BBC for connection to the EMCS monitoring and control system.

(iii) Tenant's Scope. Tenant will connect Tenant's HVAC system at the designated location(s) of the base building's central HVAC systems and extend systems as necessary through the Premises. Tenant is to provide fan coil units, VAV terminal boxes and necessary DDC controls in order to address anticipated loads to maintain proper temperature and maximize energy conservation in the space. Should Tenant need additional cooling or heating beyond the capacity of the base building hydronic or airflow provisions, Tenant must install its own supplemental rooftop equipment at a location approved by the Airport. Tenant is responsible for contracting with the base building roofing subcontractor for any repairs to the roof. If Tenant operates a food and beverage concession, Tenant is responsible for providing make-up air system interlocked with Tenant's grease exhaust system so that the exhaust system cannot operate without the make-up air system operating. To control odor migration, the make-up air system is to be designed such that the make-up air quantity plus outside air capacity of Tenant's HVAC system equals 80 percent of the exhaust air quantity. The Premises (enclosed spaces) are to be 0.05" water column negative pressure with respect to the Terminal or concourse area. Tenant's mechanical equipment shall be sound and vibration attenuated. Tenant shall prepare an Air Balance Report for its mechanical systems as part of the required BICE permit closeout submittals. Tenant is required to use the base building air balancing subcontractor.

G. Grease Exhaust

(i) General. Food and beverage tenants will be required to install a grease exhaust system (Smog Hog) at their own expense where hamburgers or other grease-producing foods are a main menu item.

(ii) BBC Scope. The BBC will work with Tenant to determine an appropriate location for Tenant's roof equipment. The BBC will provide a right-of-way to pass through occupied space above Tenant's Premises.

(iii) Tenant's Scope. Where required, Tenant will furnish and install a grease exhaust system "Smog Hog" or approved equal that complies with NFPA 96, CBC requirements, including hood design, duct design, equipment mounting requirements and fire extinguishing

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Tenant's Distribution Panel and all other Tenant-installed electrical equipment shall be located within the lease line as indicated on the Tenant's lease outline drawings.

(b) For a 120/208V electrical service connection, Tenant shall install a maximum 50A feeder circuit breaker in the Tenant Metering Switchboard. Breakers within the Airport's Tenant Metering Switchboard shall be Square D model SE R ET. Tenant's Distribution Panel and all other Tenant-installed electrical equipment shall be located within the lease line as indicated on the Tenant's lease outline drawings.

Electrical meter circuit transformers (CTs) are sized according to the service load: for 100A service use 100:5 CT. CT wiring should be lengthened when necessary with color coded twisted pair #16 gauge using butt splices (not wire nuts) and clearly labeled where terminated at the shorting block. CT ratio shall be labeled at the shorting block where the CTs are terminated.

I. Fire Alarm

(i) General. The Terminal will have a fire alarm system that covers the base building and leased spaces in compliance with applicable codes.

(ii) BBC Scope. The BBC will install one empty ¾" conduit with pull strings from the base building fire alarm distribution panel to within the Premises. The BBC will provide the connection from the distribution panel to the Airport's Fire Command Center.

(iii) Tenant's Scope. Tenant shall provide a fire alarm terminal box inside the Premises and connect all required fire alarm devices to allow for Airport monitoring and control functions of both the Airport's and Tenant's fire alarm equipment. Tenant's fire alarm devices and equipment must connect to SFO base building fire alarm system and/or fire alarm network. Tenant is required to use the same fire alarm system as the base building's fire alarm system and must be able to communicate with the base building Fire Alarm Control Panel (FACP). Signal wiring to leasehold sensing devices will be in a separate conduit from signal wiring from leasehold sensing devices. Storage cages are excluded. Tenant must use the base building fire alarm subcontractor for all tie-ins to the base building fire alarm system. Tenant shall meet interim fire alarm requirements and conditions per the A&E until Tenant's system is tied-in to the base building fire alarm system.

J. Communications Infrastructure.

(i) General. The Airport's Information Technology and Telecommunication Department (ITT) provides a multitude of services via the Airports Passive Infrastructure and Active Systems. Services include but are not limited to: Airport Shared Tenant Services (STS); (Voice, Ethernet, Common Use Connectivity, etc.), Extension of Service Provider WAN Services, and DirecTV services via IP (IPTV) throughout the Airport Campus. For all provisioning of New Services, Moves, Adds or Changes (MAC) to existing services please contact the Airport ITT Provisioning Group at 650-821-HELP (4357) Option 1, or sfohelpdesk@flysfo.com.

- If IPTV Services will be required within the Premises in addition to the cables referenced above a dedicated CAT 6A Cable per Set Top Box shall be installed within the dedicated Tenant Communications Utility Conduit so IPTV services from SFO can be distributed into this space. If more than four (4) individual connections are required then a router/network switch shall be installed in the Premises which can distribute multiple IPTV connections. The individual CAT 6A cabling inside of the Airport TWC will need to be terminated on an Airport provided Ethernet Patch Panel by Tenant. Inside the Premises, it is recommended that the cable be terminated on an Ethernet Patch Panel on an accessible communication backboard or 19-inch relay rack or physically at the TV location on a modular type outlet.
- Horizontal Station Cabling inside of the Premises is Tenant's responsibility and shall be installed in a manner that follows applicable codes and industry standards. If for any reason the horizontal infrastructure within the Premises is not installed in an acceptable manner or non-accessible this will need to be addressed by Tenant prior to final extension of Airport Services.
- Tenant shall provide the following information in its Communication Drawings within its BICE submittal package: (1) a space plan which identifies the location of the Tenant Communications Backboard, Voice, Data and Cable TV WAO with callouts identifying what cable will be installed at each location within the Premises. (2) a single line riser diagram showing the Airport Communication Utility conduit(s) run from the Premises to the designated Airport TWC, including what will be installed within the conduit.

K. Solid Waste Management

(i) General. San Francisco has adopted a goal of zero waste by 2020. Tenant is required to divert as much waste generated through its operations from the landfill as possible by maximizing the rate of onsite composting, recycling and source separation. The Airport is currently required by City Ordinance to achieve a municipal solid waste (MSW) diversion rate of 75% from the landfill. In addition, the Airport's tenants are required to develop strategies and techniques to divert 100% from the landfill by 2020 (zero waste).

(ii) BBC Scope. The Project will supply specially designed compost, recyclables and landfill waste containers for depositing source separated materials in Material Recovery Areas in the terminal and share a map to easily distinguish these areas. The Airport will ensure that all food and beverage concessions have access to adequate composting facilities to ensure that food waste and compostable service ware can be collected and reclaimed in these Material Recovery Areas. The Airport will also make available signage to distinguish recycling, composting, and landfill materials to tenants for use within their leasehold area that mirrors signage present throughout the terminals and in the Materials Recovery Areas.

(iii) Tenant's Scope. Tenant is required to minimize solid waste to landfill and maximize composting and recycling and shall submit to the ZERO Committee a Construction Waste Management Plan to achieve zero waste (See Section 6 for complete Sustainability Requirements). Tenant is required to work with both the Airport's Sustainability Projects Specialist and the Environmental Operations Team to comply with the City's Waste Ordinances. The Airport provides resources and training to guide and support tenants to achieve zero waste. Tenant shall design the space for source separation of the following minimum materials (during construction and throughout operations): (a) Compostable; (b) Recyclable; (c) Cardboard; and (d)

N. Storage Cage Areas

(i) General. The Airport has limited areas set up for leasable tenant product storage. These are usually either 150 sf or 300 sf chain link fenced cages that have a lockable gate. The height of each fence will stand at 3" max below the ceiling height of the caged areas.

(ii) BBC Scope. These caged areas will have a sealed concrete floor with floor sinks shared between the cages for future tenant condensate lines. The storage areas will be fully conditioned spaces with capacity for added heat loads by tenant walk-in refrigerators. These spaces shall have fire protection per code. The ceiling tiles will be normal tiles for retail cages and washable type for all Food & Beverage cages. A 120/208VAC distribution panel set up with a Branch Circuit Power Meter (BCPM) will power and meter the cage areas. Each cage will be assigned a maximum of four 20A circuits, three outlets and one lighting circuit with a switch per cage feed from the distribution panel. Corridors and elevator lobby crash protection shall be installed from the floor to 3' high along each wall and include corner guards. Some retail cages will be provided with an empty 3/4" conduit with a pull string above the ceiling tile. Each conduit will terminate within the nearest TWC for tenant data use.

(iii) Tenant's Scope. If Tenant requires additional power within its cage, the power shall be supplied by Tenant's main distribution panel within its Premises. This work must be performed by Tenant's contractor.

END OF TENANT WORK LETTER