Committee Ite	m No <u>.</u>	. 2	
Board Item No.		IU	

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee:	Budget and Finance FULL-Committee	Date:	<u> May 18, 2</u>	<u>011</u> ,
Board of Su	pervisors Meeting	Date_	5/24	11
Cmte Boa	rd			•
	Motion Resolution Ordinance Legislative Digest Budget and Legislative Analyst Report Ethics Form 126 Introduction Form (for hearings) Department/Agency Cover Letter and MOU Grant Information Form Grant Budget Subcontract Budget Contract/Agreement Award Letter Application		oort	
OTHER	(Use back side if additional space is	needed)	1
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	by: Victor Young Date: Date: Date: Date:	May 1	3, 2011 19-11	

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

Resolution approving the Lease Agreement for Operation and Maintenance of Public Wireless-Fidelity System at San Francisco International Airport between Advanced Wireless Group, LLC, and the City and County of San Francisco, acting by and through its Airport Commission.

[Airport Lease Agreement - Advanced Wireless Group, LLC]

WHEREAS, The Airport Commission authorized the issuance of a Request for Proposals ("RFP") for Operation and Maintenance of the Public Wireless-Fidelity System at San Francisco International Airport; and,

WHEREAS, A three-member panel reviewed and rated the qualifying proposals in accordance with the Commission-approved selection criteria; and

WHEREAS, Advanced Wireless Group, LLC met all the RFP requirements and was deemed the highest rated proposer; and,

WHEREAS, Staff negotiated the final terms of the Lease Agreement for Operation and Maintenance of Public Wireless-Fidelity System at San Francisco International Airport with Advanced Wireless Group, LLC; and,

WHEREAS, On March 15, 2011, pursuant to Resolution 11-0056, the Airport Commission awarded the Lease Agreement for Operation and Maintenance of Public Wireless-Fidelity System at San Francisco International Airport to Advanced Wireless Group, LLC for a term of two years, commencing July 1, 2011, with three one-year options exercisable at the sole discretion of the Airport Commission, with total fees of \$1,375,000 for the entire five-year period payable to City by Advanced Wireless Group, LLC; now, therefore, be it

RESOLVED, That the Board of Supervisors hereby approves the Lease Agreement for Operation and Maintenance of Public Wireless-Fidelity System at San Francisco International Airport between Advanced Wireless Group, LLC and the City and County of San Francisco, acting by and through its Airport Commission, for a two-year term, with three one-year options exercisable at the sole discretion of the Airport Commission, for a total amount of \$1,375,000 payable to City, copies of which are contained in Board of Supervisors' File Number 110541

Airport Commission
BOARD OF SUPERVISORS

Item 2 File 11-0541 Department:

San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

• The proposed resolution would approve a new two-year lease agreement, with three one-year options to extend, or a total of five years, between Advanced Wireless Group (AWG), LLC and the City and County of San Francisco, acting by and through its Airport Commission (Airport).

Key Points

- A five-year lease between T-Mobile and the Airport to operate and maintain the Airport's Wireless-Fidelity (Wi-Fi) system, effective on March 1, 2003, initially required T-Mobile to pay the Airport the greater of (a) ten percent of gross revenues realized by T-Mobile or (b) a Minimum Annual Guarantee that increased from \$60,000 in the first year to \$125,000 in the last three years. The Airport subsequently amended this lease to allow T-Mobile to continue operating the Airport's Wi-Fi system through June 30, 2011. On August 13, 2010, the Airport began offering free Wi-Fi service to users throughout the Airport, such that the Airport subsequently amended the T-Mobile lease and now pays T-Mobile each month to operate and maintain the Wi-Fi system at no charge to Airport users.
- On January 26, 2010, Airport staff issued a Request for Proposals (RFP) to select a vendor to operate and maintain the Airport's free Wi-Fi service to the public. After receiving and reviewing four proposals, the Airport selected the AWG to operate and maintain the Airport's Wi-Fi system.

Fiscal Impacts

- Under the existing lease with T-Mobile, since August 13, 2010, the Airport pays T-Mobile \$135,000 per month for the first six months and \$125,000 per month thereafter, or a total of \$1,382,742 from August 13, 2010 through June 30, 2011.
- The proposed lease with AWG would be for an initial two-year period, with three one-year options to extend, at the sole discretion of the Airport Commission. Under the proposed agreement, in consideration for authorizing AWG to advertise on the Wi-Fi system (see below), AWG would pay \$225,000 to the Airport for the first year and \$250,000 for the second year or a total of \$475,000 over the two-year proposed lease. For the three one-year extensions, the fee to be paid by AWG to the Airport would increase \$25,000 annually to \$275,000 in the third year, \$300,000 in the fourth year, and \$325,000 in the fifth year, for a total of \$1,375,000 over the five-year period.
- As part of the Airport's Lease and Use Agreement, 15 percent of concession and parking revenue generated at the Airport is paid to the City's General Fund as part of the Annual Service Payment, such that \$71,250 (\$475,000 x .15) would be paid to the City's General Fund over the initial two-year period and a total of \$206,250 (\$1,375,000 x .15) would be paid to the City's General Fund over the total five-year period.
- The proposed lease allows AWG to offset its rental costs to be paid to the Airport through advertising on the first page (the "welcome page") that users of the Wi-Fi system will be directed to upon logging

¹ This total amount was calculated based on an 11-month agreement: six months at \$135,000 per month with the rate for August, the first of the six months at \$135,000, prorated for 19 days at \$4,354.84 per day or \$82,741.94 for that first month.

into the network. The lease agreement also allows the Airport to realize revenues from Airport advertising on the welcome page of the Wi-Fi system. The Airport has not projected such potential Airport advertising revenues.

Recommendation

Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.118 (a) requires Board of Supervisors approval of any lease which would result in revenues to the City in excess of \$1,000,000 over the term of the lease.

Background

Based on a competitive Request for Proposals process, the Airport and T-Mobile entered into a five-year lease, with two one-year extension options, commencing on March 1, 2003. According to Ms. Cathy Widener, the Airport's Government Affairs Officer, that agreement was not subject to Board of Supervisors approval because the agreement did not meet the \$1,000,000 revenue threshold. This agreement with T-Mobile stipulated the terms for operating and maintaining the Airport's Wireless-Fidelity (Wi-Fi) system. Following the expiration of this lease on February 28, 2010, the Airport entered into a short-term agreement (not to exceed two years) with T-Mobile that would allow for continued service through June 30, 2011. Under the original agreement, T-Mobile paid the Airport the greater of (a) ten percent of the gross revenues realized by T-Mobile from charging Airport users fees to access the Wi-Fe system or (b) a Minimum Annual Guarantee (MAG) that increased from \$60,000 during the first year to \$125,000 in the last three years. However, on August 13, 2010, the Airport began offering this Wi-Fi service at no charge to Airport users, resulting in a modified agreement with T-Mobile. The modified agreement will expire on June 30, 2011 and stipulates that the Airport pay T-Mobile \$135,000 each month for the first six months of free Wi-Fi service and \$125,000 each month thereafter for T-Mobile to operate and maintain the Wi-Fi system at no charge to Airport users.

On January 26, 2010, in anticipation of the expiration of the lease agreement with T-Mobile, the Airport issued a Request for Proposals (RFP) to select a vendor to upgrade the Airport's Wi-Fi system to accommodate increased broadband demand and to continue to operate and manage the upgraded Wi-Fi service at the Airport at no charge to Airport users.

According to Ms. Cathy Widener, the Airport's Government Affairs Officer, when the RFP was issued, Airport staff did not know whether qualified Wi-Fi operators would be able to offset all of their capital and operating costs with advertising revenues to make their proposals competitive. The Airport received four proposals from (1) Advanced Wireless Group, LLC (AWG), (2) AT&T Wi-Fi Services, (3) Concourse Communications Group, and (4) NetXperts. Three companies proposed annual payments by the vendor to the Airport and one company proposed payments to be made by the Airport to the vendor. All of the proposals were reviewed

by an Airport Evaluation Committee consisting of Airport staff. The Committee unanimously identified AWG as the highest-ranked proposer.

DETAILS OF PROPOSED LEGISLATION

Based on a completive Request for Proposals process, the proposed resolution would approve a new two-year lease, with three one year options to extend the lease, between AWG and the Airport, to operate and maintain the Airport's Wi-Fi System at no charge to Airport users, including implementation of any Airport required upgrades to address increased broadband demand.

The proposed lease agreement would commence July 1, 2011 and extend through June 30, 2013, with three additional one-year options to extend, or through June 30, 2016, at the sole discretion of the Airport Commission.

At the end of the second year, in order to determine whether to exercise the three one-year options to extend the lease, the Airport will assess the quality of services previously provided by AWG based on passenger feedback and observations by Airport employees. The Airport will also assess the current and projected Wi-Fi usage, the suitability of the existing infrastructure, industry trends, new technologies, users' expectations, and potential changes in advertising through Wi-Fi systems to determine whether to extend the agreement.

Under the proposed lease agreement, as shown in the Table below, AWG would be required to pay rent of \$225,000 to the Airport in the first year and \$250,000 in the second year. This annual fee would increase by \$25,000 in each of the following three years to \$275,000 in the third year, \$300,000 in the fourth year, and \$325,000 in the fifth year, subject to the Airport Commission's approval of each of the three additional one-year options, for a total of \$1,375,000, if the lease is extended for the entire five-year period.

Proposed AWG Lease

Period	Lease/Option Year	Description	Airport Revenue
7/1/2011 - 6/30/2012	Lease Year 1	First year of proposed lease with AWG.	\$225,000
7/1/2012 - 6/30/2013	Lease Year 2	Annual fee increases by \$25,000.	250,000
7/1/2013 - 6/30/2014	Option Year 3	Annual fee increases by \$25,000.	275,000
7/1/2014 - 6/30/20115	Option Year 4	Annual fee increases by \$25,000.	300,000
7/1/2015 - 6/30/2016	Option Year 5	Annual fee increases by \$25,000.	325,000
Total	- F		\$1,375,000

The proposed lease would allow AWG to recoup its operating expenses through placing advertisements on the Wi-Fi welcome page and through video commercials lasting up to 30 seconds at the beginning of each Wi-Fi session. Under the proposed lease, the Airport would not participate in any revenue sharing from such advertisements sold by AWG, but could generate revenue through its own advertising in the Wi-Fi system. While the proposed lease also allows the Airport to sell such advertising, the Airport has not made any projections regarding such potential Airport advertising revenues.

FISCAL IMPACT

Expenditures Under the Existing Wi-Fi Lease Agreement

Prior to August 13, 2010, T-Mobile paid the Airport the greater of (a) ten percent of T-Mobile's gross revenues realized from charges to Wi-Fi users at the Airport or (b) a Minimum Annual Guarantee (MAG) that increased from \$60,000 during the first year of the lease to \$125,000 in the last three years. According to Mr. Gerardo Fries, Project Manager at the Airport, T-Mobile paid the Airport approximately \$300,000 per month or \$3,600,000 annually under this earlier lease agreement, based on ten percent of T-Mobile's revenues. However, as noted above, this T-Mobile agreement was amended on August 13, 2010 when the Airport decided to offer free Wi-Fi services at the Airport. The existing modified agreement with T-Mobile for the free Wi-Fi, which will expire on June 30, 2011, stipulates that the Airport pay T-Mobile \$135,000 per month for the first six months and \$125,000 per month thereafter, or a total of \$1,382,742 from August 13, 2010 through June 30, 2011.

Estimated Fiscal Impact of the Proposed Lease Agreement

Based on a competitive Request for Proposals process, the proposed resolution would enable the Airport to enter into a new two-year lease agreement, with AWG, with three one-year options to extend, such that the Airport will receive \$225,000 in the first year and \$250,000 in the second year of the lease. As shown in the Table above, if the three one-year options are exercised and the lease is extended for the full five years, the Airport would receive a total of \$1,375,000 in lease revenues over the proposed lease which would provide free Wi-Fi services to Airport users. Conversely, under the existing agreement with T-Mobile, the Airport will have paid T-Mobile a total of \$1,382,742 from August 13, 2010 through June 30, 2011 for comparable free Wi-Fi service.

In addition, as noted above, both the Airport and AWG would be authorized under the proposed lease to realize revenues through advertising on the Wi-Fi system. As of the writing of this report, the Airport has not made any projections regarding potential Airport advertising revenues which it would be authorized to realize under the proposed lease agreement.

As part of the Airport's Lease and Use Agreement, 15 percent of all concession revenue generated at the Airport is paid to the City's General Fund as part of the Annual Service Payment, such that \$71,250 (\$475,000 x .15) would be paid to the City's General Fund over the initial two-year period and a total of \$206,250 (\$1,375,000 x .15) would be paid to the City's General Fund over the total five-year period, if the three one-year options are exercised.

RECOMMENDATION

Approve the proposed resolution.

² This total amount was calculated based on an 11-month agreement: six months at \$135,000 per month with the rate for August, the first of the six months at \$135,000, prorated for 19 days at \$4,354.84 per day or \$82,741.94 for that first month.



San Francisco International Airport

BOARD OF SUPERVISORS
SAM FRANCISCO

2011 APR 19 PM 1: 26

April 15, 2011

Ms. Angela Calvillo, Clerk of the Board Board of Supervisors City Hall 1 Dr. Carlton B. Goodlett Place, Room 244 San Francisco, CA 94102

Subject: Approval of Lease Agreement for Operation and Maintenance of Public Wireless-Fidelity System at San Francisco International Airport between Advanced Wireless Group, LLC. and the City and County of San Francisco, by and through its Airport Commission

Dear Ms. Calvillo:

Attached for the Board of Supervisors' approval is a resolution approving the lease agreement with Advanced Wireless Group, LLC for operation and maintenance of the public Wireless-Fidelity system at the San Francisco International Airport.

The following is a list of accompanying documents (five sets):

- Board of Supervisors Resolution;
- Approved Airport Commission Resolution No. 11-0056;
- Ethic Forms SFEC-126 for Advanced Wireless Group, LLC;
- Copy of contract with Advanced Wireless Group, LLC; and
- Approval as to form of Contract from City Attorney's Office.

You may contact Leo Fermin, Airport Deputy Director, Business & Finance, at (650) 821-5035 regarding this matter.

Very truly yours,

Jean Caramatti

Commission Secretary

Enclosures



San Francisco International Airport

MEMORANDUM

March 15, 2011

TO:

Members, Airport Commission

Hon, Larry Mazzola, President

Hon. Linda S. Crayton, Vice President

Hon. Eleanor Johns

Hon. Richard J. Guggenhime

Hon. Peter A. Stern

FROM:

Airport Director

SUBJECT:

Award of Contract for Operation of Free Public Wi-Fi System

DIRECTOR'S RECOMMENDATION: ADOPT RESOLUTION AWARDING THE CONTRACT FOR OPERATION AND MAINTENANCE OF THE PUBLIC WI-FI SYSTEM TO ADVANCED WIRELESS GROUP, LLC.

Executive Summary

Staff requests Commission to award the contract for operation and maintenance of the Wireless-Fidelity ("Wi-Fi") system to Advanced Wireless Group, LLC ("AWG"). The contract will be for an initial term of 2 years with three 1-year options at the discretion of the Commission. AWG will operate, maintain and upgrade the system, and will pay annual fees to the City for the right to generate advertising revenues through the Wi-Fi system to offset its costs. The total fees payable to the City for the 5-year period would be \$1,375,000.

Background

On January 26, 2010, the Commission approved Resolution No. 10-0020 authorizing staff to issue a Request for Proposals ("RFP") to select a vendor to operate the free Wi-Fi service at the Airport. The associated RFP was issued on February 26, 2010. Proposers had the option of submitting proposals to operate the existing system without any significant improvements or to make upgrades (either making partial improvements or fully replacing the existing infrastructure with a new system). Vendors had the option of proposing either: 1) a fee payable by the City for the service; or 2) payments to the City for the right to operate the system.

Four proposals were received from the following entities: AWG, AT&T Wi-Fi Services, Concourse Communications Group and NetXperts. AWG proposed making partial upgrades to the infrastructure and offered annual payments to the City. AWG met all the RFP requirements and was determined to be the highest responsive and responsible proposer.

On November 23, 2010 staff returned to the Commission to identify the proposers and to seek authorization to commence contract negotiations with AWG. The Commission provided such authorization through Resolution No. 10-0329.

THIS PRINT COVERS CALENDAR ITEM NO.

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE

LARRY MAZZOLA

LINDA 5. CRAYTON

ELEANOR JOHNS

RICHARD J. GUGGENHIME

PETER A. STERN

JOHN L. MARTIN AIRPORT DIRECTOR

Contract for Operation of the Public Wi-Fi

The contract is for operation and maintenance of the overall Wi-Fi system in public areas of the Airport (including the existing system currently operated by T-Mobile in Terminal 1, Terminal 3, International Terminal and the Rental Car Center, plus the new Wi-Fi system recently installed in Terminal 2 on a free basis to the users. The contract is for an initial 2-year period, with three 1-year options at the discretion of the Commission.

Under the contract, AWG will operate and maintain the system, and will design, install, test and implement several upgrades to the existing infrastructure, as required to meet increasing capacity demands plus the technical requirements outlined in the RFP. AWG plans to offset its costs through advertising and/or sponsorship revenues generated through the Wi-Fi system. The right to generate these revenues is not exclusive to the vendor and the City is free to explore other Wi-Fi advertising revenue opportunities through the Airport's advertising concession tenant. AWG will pay the following annual fees to the City for the right to operate and maintain the Wi-Fi system:

	Year	Fee Payable to City	
	1	\$225,000	
	2	\$250,000	
	3	\$275,000	
	4	\$300,000	
1	5	\$325,000	

Company Information

AWG was founded in 2004 by Electronic Media Systems (EMS), Advanced Infrastructure Management (AIM), and International Management Group (IMG). AWG's expertise is in the field of incorporating advertising and sponsorship to Wi-Fi service as an alternative to paid Wi-Fi access in airports. The company is registered in Florida with principal offices in Miami, and field office in Boston and Philadelphia. AWG operates eight public Wi-Fi concessions in US Airports, as follows:

- Atlanta Hartsfield (ATL) (one of four providers)
- Miami International (MIA)
- Boston-Logan (BOS)
- Indianapolis (IND)
- Sacramento (SMF)
- Burbank (BUR)
- Omaha (OMA)
- Providence (PVD)

Recommendation

I recommend approval of the accompanying resolution to 1) award the contract for operation of the public Wi-Fi system to Advanced Wireless Group, LLC; and 2) direct the Commission Secretary to request approval of the contract from the Board of Supervisors.

John L. Martin Airport Director

Prepared by:

Leo Fermin

Deputy Airport Director Business and Finance

Attachment

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 11-U056

AWARD OF CONTRACT FOR OPERATION AND MAINTENANCE OF THE PUBLIC WI-FI SYSTEM TO ADVANCED WIRELESS GROUP, LLC

- WHEREAS, on January 26, 2010, the Commission approved Resolution No. 10-0020 authorizing staff to issue a Request For Proposals ("RFP") to select an operator of the public Wi-Fi system at the Airport; and,
- WHEREAS, on February 26, 2010, Airport staff issued the associated RFP and four proposals were received by the September 10, 2010 deadline; and,
- WHEREAS, the proposal by Advanced Wireless Group, LLC ("AWG") met all the RFP requirements, and AWG was determined to be the highest responsive and responsible proposer; and,
- WHEREAS, on November 23, 2010, the Commission approved Resolution No. 10-0329 authorizing staff to commence contract negotiations with AWG for operation of the public Wi-Fi system at the Airport; and,
- WHEREAS, the material contract terms are: 1) The contract is for an initial 2-year period, with three 1-year options at the discretion of the Commission; 2) AWG will provide Wi-Fi service on a free basis to the users; 3) Under the contract, AWG will operate and maintain the public Wi-Fi system, and will design, install, test and implement several upgrades to the existing infrastructure as required to meet increasing capacity demands plus the technical requirements outlined in the RFP; 4) AWG plans to offset its costs through advertising and/or sponsorship revenues generated through the Wi-Fi system, but the right to generate these revenues is not exclusive to AWG and the City is free to explore other Wi-Fi advertising revenue opportunities; and, 5) AWG will pay City the following annual fees for the right to operate the system: \$225,000 in Year 1, \$250,000 in Year 2, \$275,000 in Year 3, \$300,000 in Year 4 and \$325,000 in Year 5; now therefore, be it
- RESOLVED, that the Commission awards the contract for operation and maintenance of the public Wi-Fi system to Advanced Wireless Group, LLC; and, be it further
- RESOLVED, that the Commission Secretary is hereby directed to request approval of the contract by Resolution of the Board of Supervisors pursuant to Section 9.118 of the Charter of the City and County of San Francisco.

I hereby certify that the foregoing resolution was adopted by the Airport Commission

MAR 1 5 2011

at its meeting of ...

Han Caramati.

Secretary

*Complete copy of document located in File No. 110541

LEASE AGREEMENT

FOR -

OPERATION AND MAINTENANCE OF PUBLIC WIRELESS-FIDELITY SYSTEM AT SAN FRANCISCO INTERNATIONAL AIRPORT

BOARD OF SUPERVISORS
SAN FRANCISCO

2011 APR 19 PM 1: 27

by and between

ADVANCED WIRELESS GROUP, LLC.

as tenant

and

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

Edwin M. Lee Mayor

AIRPORT COMMISSION

Hon. Larry Mazzola, President

Hon. Linda S. Crayton, Vice President

Hon. Eleanor Johns

Hon. Richard J. Guggenhime

Hon. Peter A. Stern

John L. Martin Airport Director

April, 2011

Lease Agreement Number 11-0056

	5.6	Waiver	
6.	TAX	ES, ASSESSMENTS AND LIENS	9
	6.1	Taxes	9
	6.2	Other Liens	10
7.	INV	ESTMENTS; ALTERATIONS	10
	7.1	Tenant's Work: Minimum Investment [Intentionally Deleted]	10
	7.2	City's Approval Rights	10
	7.3	Structures and Fixtures	10
	7.4	Notice and Permits	
,	7.5	Title to Alterations and Equipment	
	7.6	Effect of Alterations on Airport	
	7.7	Mid-Term Refurbishment [Intentionally Deleted]	11
	7.8	Labor Harmony	
8.	UTI	LITIES	12
	8.1	Services Provided	
	8.2	Utility Costs	
	8.3	Shared Telecommunications Services	12
	8.4	Waiver of Damages	13
9.	MAI	Waiver of Damages NTENANCE AND REPAIR	13
	9.1	"As-Is" Condition	13
	9.2	Tenant's Maintenance Obligations	13
•	9.3	Tenant's Pest Management Obligation [Intentionally Deleted]	13
10.	SIGI	NS AND ADVERTISING	14
	10.1	Signs and Advertising	14
-	10.2	Prohibition of Tobacco Sales and Advertising	14
	10.3	Prohibition of Alcoholic Beverage Advertising	14
11.	PRO	MOTIONAL PROGRAM [Intentionally Deleted]	14
12.	WAI	VER; INDEMNITY; INSURANCE	14
	12.1	Waiver	14
	12.2	Indemnity	15
	12.3	Losses	15
	12.4	Immediate Obligation to Defend.	15
	12.5	Notice	13
	12.6	Insurance Form of Policies Form Of Polic	15
	12.7	Form of Policies	16
	12.8	Delivery of Policies or Certificates	16
	12.9	Subrogation	
13.	DEP	OSIT	
	13.1	Form of Deposit	
tr .	13.2	Maintenance of Deposit	
	13.3	Alternative Forms of Deposit	
	13.4	Use of Deposit	
	13.5	Other Agreements	
14.	DAN	1AGE OR DESTRUCTION	
	14.1	Partial Destruction of Premises	
-	14.2	Total Destruction of Premises	
	14.3	Partial Destruction of Terminal Building	
	14.4	Damage Near End of Term	18
	14.5	No Abatement of Rent; Tenant's Remedies	19

15.	DEF	AULT; REMEDIES	1
	15.1	Event of Default	1900 I.
	15.2	Statutory Notices	
	15.3	Remedies	2
	15.4	City's Right to Perform	21
	15.5	Rights Related to Termination	2.
	15.6	Cumulative Rights	4.
	15.7	Prepayment	2.
	15.8	Fines	22
	15.9	City Lien	- 01
	15.10	Commencement of Legal Actions	25
	15.11	WALVELOUNDING	
16.	SUR	RENDER	-
17.	HAZ	ARDOUS MATERIALS	24
	17.1	Definitions	24
	17.2	Tenant's Covenants	24
ı	17.3	Tenant's Covenants Environmental Indemnity	24
	17.4	Environmental Audit	25
	17.5	Closure Permit	25
18.		NENT DOMAIN	25
	18.1	Definitions	26
	18.2	(tenero)	
	18.3	General Taking: Automatic Termination	26
	18.4	Total Taking; Automatic Termination	26
	18.5		774
	18.6	Tenant Monetary Obligations; Award	26
	18.7	Partial Taking; Continuation of Lease	. 27
19.		Temporary Takings	. 27
•	19.1	MacRride Principles - Northern Iroland	27
	19.2	MacBride Principles - Northern Ireland	. 27
	19.3	Charter	. 27
	19.4	Tropical Hardwood and Virgin Redwood Ban	. 27
	19.5	No Representations	. 27
	19.6	Effect of City Approvals	. 28
	19.7	Limitation on Damages Sponsor's Assurance Agreement	~~
	19.8	Federal Nandiscrimination Documents	. 28
	19.9	Federal Affirmative Action Regulations	. 28
	19.10	Federal Affirmative Action Regulations.	. 29
	19.11	City's Nondiscrimination Ordinance	. 29
	19.12	Commet of interest	20
		Prevailing Rates of Wage	. 30
	19.14	Declaration Regarding Airport Private Roads	30
	19.15	No Relocation Assistance; Waiver of Claims	30
	19.16	Drug-Free Workplace	30
	19.17	Compliance with Americans With Disabilities Act	30
	19.17	Sunshine Ordinance	31
	-	Pesticide Prohibition	31
1	19.19	First Source Hiring Ordinance	31
		Labor Peace/Card Check Rule	31
	19.21	Requiring Minimum Compensation	32
		Airport Intellectual Property	34

	19.23	Requiring Health Benefits for Covered Employees	34
	19.24	Notification of Limitations on Contributions	35
	19.25	Food Service Waste Reduction Ordinance	36
20	GENI	ERAL PROVISIONS	36
	20.1	Notices	36
	20.2	No Implied Waiver	36
	20.3	Entire Agreement	36
	20.4	Amandments	36
	20.5	Interpretation of Lease	37
	20.6	Successors and Assigns	37
	20.7	No Third-Party Beneficiaries	37
	20.8	No Joint Venture	37
	20.9	Drokors	37
	20.10	Severability	37
٠,	20.11	Governing I aw	37.
	20.12	Attaurant Face	íΧ
	20.13	Cumulative Remedies	38
	20.14	Time of Essence	38
	20.15	Reservations by City	38
	20.16	Survival of Indemnities	38
	20.17	Quiet Enjoyment and Title	38
	20.18	No Right of Redemption	ەد
	20.19	Accord and Satisfaction	39
	20.20	Joint and Several Liability	39
	20.21	Estappel Statements	39
•	20.22	A sythography:	צנ
	20.23	Consents	39
	20.24	Options Personal	39
	20.25	Counterparts	40
o:		Page	40

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

FORM SFEC-126: NOTIFICATION OF CONTRACT APPROVAL

(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information (Please print clearly.)	
Name of City elective officer(s):	City elective office(s) held:
Members, Board of Supervisors	Members, Board of Supervisors
Contractor Information (Please print clearly.)	
Name of contractor: ADVANCED WIRELESS GROUP, LLC.	
Please list the names of (1) members of the contractor's board of direction financial officer and chief operating officer; (3) any person who has a contract of listed in the bid or contract; and (5) any political conditional pages as necessary. (1) Members of the contractor's board of directors: H. Scott Phillips, CEO and Contractor's chief executive officer: H. Scott Phillips, CEO and Contract officer and chief operating officer: David A. Ziem (3) Any person who has an ownership of 20 percent or more in the contract of the contractor listed in the bid or contract: None. (5) Any political committee sponsored or controlled by the contractor	an ownership of 20 percent or more in the contractor; (4) committee sponsored or controlled by the contractor. Use to Chairman; David A. Ziembicki; John Moriarty. Managing Member of the LLC. Abicki, CFO/COO. Contractor: Electronic Media Systems, Inc. owns 90%.
Contractor address: 10460 NW 46th Street, Miami, Florida 33178	
Communication to too at a constraining a reason of the constraint of	
Date that contract was approved:	Amount of contract: \$1,375,000
(By the SF Board of Supervisors)	
Describe the nature of the contract that was approved: Lease Agreem Fidelity System at San Francisco International Airport.	ent for Operation and Maintenance of Public Wireless-
Comments:	
This contract was approved by (check applicable):	
the City elective officer(s) identified on this form	
a board on which the City elective officer(s) serves: San Fran	ncisco Board of Supervisors
	nt Name of Board
the board of a state agency (Health Authority, Housing Author Board, Parking Authority, Redevelopment Agency Commission	, Relocation Appeals Board, Treasure Island
Development Authority) on which an appointee of the City elec	tive officer(s) identified on this form sits
Print Name of Board	
Tim (tanto di Botato	
Filer Information (Please print clearly.)	
Name of filer:	Contact telephone number:
Angela Calvillo, Clerk of the Board	(415) 554-5184
Address:	E-mail:
City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, C	A 94102 Board.of.Supervisors@sfgov.org
Signature of City Elective Officer (if submitted by City elective office	Date Signed
Signature of only bloom to officer (if businessed by only bloom to office	-,
Signature of Board Secretary or Clerk (if submitted by Board Secretar	y or Clerk) Date Signed