

File No. 130324

Committee Item No. 8

Board Item No: 20

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: 07/24/2013

Board of Supervisors Meeting

Date: July 30, 2013

Cmte Board

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Completed by: Victor Young

Date July 19, 2013

Completed by: Victor Young

Date 7/24/13

AMENDED IN COMMITTEE
7/24/13

FILE NO. 130324

RESOLUTION NO.

1 [Airport Lease Modification - United Air Lines, Inc. - Plots 16 and 16B - \$12,040,710 Annually]

2 **Resolution approving the execution of Modification No.5 to Lease L73-0066 at Plots 16**
3 **and 16B with United Air Lines, Inc. at San Francisco International Airport (Airport) to:**
4 **increase the ground rent to \$12,040,710 per year; reduce the premises by 6.53 acres of**
5 **land, resulting in a modified premises of approximately 124.13 acres, together with**
6 **certain rights-of-way and easements; and grant a one-time option to relinquish up to**
7 **thirty percent of the land comprising the Premises and equivalent land comprising the**
8 **Employee Parking retroactively to July 1, 2013.**

9
10 WHEREAS, Pursuant to Ground Lease L73-0066 (the "Lease"), United Air Lines, Inc.
11 ("United") occupies approximately 129.18 acres of land at Plots 16 and 16B at the Airport,
12 together with certain rights-of-way and easements, for a Maintenance Operations Center
13 (the "Premises"); and

14 WHEREAS, United also utilizes the equivalent of approximately 5.34 acres of land at
15 the Airport's Lot D Garage for employee parking (the "Employee Parking") related to the
16 Premises at the same rate per acre applicable to the Premises; and

17 WHEREAS, The second Option Term of the Lease expires on June 30, 2013 and,
18 pursuant to Modification No. Four to the Lease, which approved a Cure Stipulation
19 Agreement between the Airport and United, United was granted a third option to extend the
20 term for an additional ten (10) years at a rent equal to fair market value; and

21 WHEREAS, United has exercised the option and negotiated certain terms of
22 Modification No. Five, which will: 1) increase the ground rent for the Premises and
23 Employee Parking to \$12,040,710.00 per year, 2) reduce the Premises from approximately
24 129.18 acres to 124.13 acres of land, and 3) grant United a one-time option to relinquish up
25

1 to thirty percent (30%) of the acreage comprising the Premises and the Employee Parking
2 (the "Modification"), as set forth in the Director's Memorandum; and

3 WHEREAS, On March 19, 2013, by Airport Commission Resolution No. 13-0057, the
4 Airport Commission approved the Modification to the Lease between United and the City and
5 County of San Francisco, acting by and through its Airport Commission, subject to the terms
6 set forth above; and

7 WHEREAS, A copy of the form of Modification No. Five to the Lease is on file with the
8 Clerk of the Board of Supervisors in File No. 130324, which is hereby declared to be a part of
9 this resolution, as if set forth fully herein; now, therefore, be it

10 RESOLVED, That this Board of Supervisors hereby approves, retroactively to July 1,
11 2013, the execution of Modification No. Five to Lease L73-0066 between United Air Lines, Inc.
12 and the City and County of San Francisco, acting by and through its Airport Commission,
13 which will:

14 1) increase the ground rent to \$12,040,710.00 per year, 2) reduce the Premises from
15 approximately 129.18 acres to 124.13 acres of land, and 3) grant United a one-time option to
16 relinquish up to thirty percent (30%) of the acreage comprising the Premises and the
17 Employee Parking, as set forth in the Director's Memorandum.

Item 8
File 13-0324

Department:
San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objectives

The proposed resolution would amend an existing ground lease between the San Francisco Airport (Airport) and United Airlines, Inc. (United Airlines): (1) to cede property from United Airlines to the Airport for various uses; (2) to extend the term of the lease; (3) to increase the base rent per acre; and (4) to allow United Airlines to cede up to 30 percent of its leased property to the Airport at a future date with Board of Supervisors approval.

Key Points

- On March 20, 1973, the Airport and United Airlines entered into a 20-year ground lease for 129.02 acres (subsequently amended four times to add 5.50 acres for a total of 134.52 acres) to be used for operations, maintenance, and other uses. The initial lease included two 10-year options to extend the term of the lease, which United Airlines exercised. The Board of Supervisors authorized an additional 10-year option during the most recent amendment to the lease in 2004 (File 04-0321).
- The proposed fifth amendment to the lease would exercise the final option to extend the term by ten years from July 1, 2013 through June 30, 2023 and increase the rent from \$82,686 per acre to \$93,000 per acre.
- Under the proposed fifth amendment, the Airport will reclaim 5.05 acres of land from United Airlines, Inc. to be used for (1) equipment laydown and parking support; (2) a new convenience store; and (3) a new solar power station collection site.
- United Airlines would have a one-time option to relinquish up to 30 percent of the leased premises on July 1, 2018 or July 1, 2019, subject to future Board of Supervisors approval, in the event that there is a contraction in the air transportation industry or if the Airline's business practices change.

Fiscal Impact

- Under the proposed ordinance, the rent per acre for FY 2013-14 would be \$93,000, which is approximately 12.5 percent more than the FY 2012-13 rent per acre of \$82,686. After adjusting for the reduction in acreage from 134.52 acres to 129.02 acres, the FY 2013-14 rent will be \$12,040,710 which is \$917,758, or 8.3 percent, more than the FY 2012-13 rent of \$11,122,952.
- The rent per acre will remain fixed at \$93,000 for the next three years after which the rent will increase to reflect inflation capped at 3 percent annually as calculated by the Consumer Price Index.

Recommendations

- Amend the proposed resolution to retroactively approve the proposed lease commencement date of July 1, 2013.
- Approve the proposed resolution as amended.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

City Charter Section 9.118(c) states that leases, which would result in revenues to the City of \$1,000,000 or more are subject to Board of Supervisors approval.

Background

On March 20, 1973 the Airport entered into a 20-year lease with United Airlines, Inc. (United Airlines) for 129.02 acres of real property to be used by United Airlines for maintenance, operations, and other uses. The original lease included two 10-year options to extend the term of the lease, which United Airlines has exercised, resulting in a total term of 40 years. The lease has been previously amended four times to make adjustments including increasing the premises by 5.50 acres to 134.52 acres. The most recent amendment in 2004 (File 04-0321) included a third 10-year option to extend the lease term an additional 10 years from July 1, 2013 to June 30, 2023.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the fifth amendment to the existing lease between the Airport and United Airlines to reflect the following changes retroactive to July 1, 2013:

- The Airport would reclaim 5.05 acres for (1) equipment laydown and parking support; (2) a new convenience store; and (3) a new solar power station collection site.
- United Airline would pay a new base rent of \$93,000 per acre that will be held constant for three years and adjusted annually for inflation up to 3 percent each year thereafter. The current rental rate is \$82,686 per acre.
- United Airlines and the Airport would exercise its last 10-year lease extension option from July 1, 2013 through June 30, 2023.
- United Airlines would have a one-time option to relinquish up to 30 percent of the leased premises on July 1, 2018 or July 1, 2019, subject to future Board of Supervisors approval, in the event that there is a contraction in the air transportation industry or if the Airline's business practices change.

FISCAL IMPACT

Table 1 below shows the leased premises will decrease by 5.05 acres from 134.52 to 129.47, or 3.8 percent. The rent per acre increases by \$10,314, or 12.5 percent, for a total annual rent increase of \$917,758, or 8.3 percent, after adjusting for the change in acreage.

Table 1: United Airlines Land Change Impacts

Premises - July '12 to June '13	FY 2012-13	FY 2013-14	Change
Parcel 1	121.94	117.94	-4.00
Parcel 2	7.24	6.19	-1.05
Employee Parking Equivalent	5.34	5.34	0.00
Total Acreage	134.52	129.47	-5.05
Rent Per Acre	\$82,686	\$93,000	\$10,314
Total Rent	\$11,122,952	\$12,040,710	\$917,758

According to Diane Artz, Senior Property Manager at the Airport, the proposed rent of \$93,000 per acre is \$4,696 less than the fair market rent of \$97,696, based on the third-party appraisal conducted by CBRE, Inc., resulting in reduced rent to the Airport over the 10-year term of the lease extension of \$6,079,911. Ms. Artz states that the Airport and United Airlines negotiated the reduced rent per acre because (1) the fair market valuation represented a 17.9 percent increase over the current rate, which was far greater than what United Airlines had projected or budgeted, and (2) to maintain a long-standing relationship between the parties, long-term lease for the property, and stable revenue for the Airport.

RECOMMENDATIONS

1. Amend the proposed resolution to retroactively approve the proposed lease commencement date of July 1, 2013.
2. Approve the proposed resolution as amended.



San Francisco International Airport

April 3, 2013

Ms. Angela Calvillo
Clerk of the Board
Board of Supervisors
City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

Subject: Approval of Modification No. Five to the Maintenance Operations Center Lease (L73-0066) at Plots 16 and 16B between United Air Lines, Inc. and the City and County of San Francisco, acting by and through its Airport Commission

Dear Ms. Calvillo:

Pursuant to Section 9.118 of the City Charter, I am forwarding for the Board of Supervisors' approval Modification No. Five to Lease L73-0066 (the "Lease Modification") between the City and County of San Francisco, acting by and through its Airport Commission ("Airport"), and United Air Lines, Inc. ("United") for approximately 124.13 acres of land for United's Maintenance Operations Center (the "Premises") and the equivalent of 5.34 acres of land in the Airport's Lot D Garage for employee parking ("Employee Parking"). The Lease Modification was approved by Airport Commission Resolution No. 13-0057, adopted March 19, 2013.

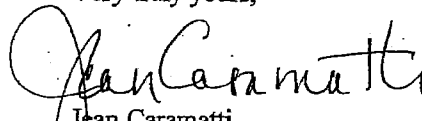
The Lease Modification provides for: 1) an increase of the ground rent for the Premises and Employee Parking to \$12,040,710.00 per year, 2) a reduction of the Premises by 6.53 acres of land, resulting in a modified Premises of approximately 124.13 acres at Plots 16 and 16B, together with certain rights-of-way and easements, and 3) a Contraction Option which grants United a one-time option to relinquish up to thirty percent (30%) of the acreage comprising the Premises and Employee Parking.

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

- Board of Supervisors Resolution;
- Approved Airport Commission Resolution No. 13-0057;
- Commission Memorandum;
- Modification No. Five to Lease L73-0066; and
- Two (2) Form SFEC-126: Notification of Contract Approval.

You may contact Cathy Widener, Governmental Affairs Manager, at (650) 821-5023 regarding this matter.

Very truly yours,


Jean Caramatti
Commission Secretary

RECEIVED
BOARD OF SUPERVISORS
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Enclosures

cc: Cathy Widener

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

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MAYOR

LARRY MAZZOLA
PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

ELEANOR JOHNS

RICHARD J. GUGGENHIME

PETER A. STERN

JOHN L. MARTIN
AIRPORT DIRECTOR

**MODIFICATION NUMBER FIVE TO
MAINTENANCE BASE LEASE
SAN FRANCISCO INTERNATIONAL AIRPORT**

UNITED AIR LINES, INC.

Lease No. 73-0066

THIS MODIFICATION NUMBER FIVE OF LEASE (this "Modification"), dated _____, 2013, is entered into by and between the City and County of San Francisco, a municipal corporation, acting by and through its Airport Commission, as lessor ("City"), and United Air Lines, Inc., a Delaware corporation, as lessee ("Lessee").

RECITALS

- A. City and Lessee are parties to that certain Lease No. 73-0066 dated March 20, 1973, authorized by Airport Commission Resolution No. 73-0066 and Board of Supervisors Resolution No. 31-373, as amended from time to time by certain modifications authorized by Airport Commission Resolutions No. 80-0066, No. 94-0139, No. 00-0440 and No. 04-0058 (as modified, the "Lease").
- B. The Lease premises is certain real property commonly known as the Maintenance Operation Center ("MOC") located on Plot 16 and Plot 16B at the San Francisco International Airport, and specifically comprising of Parcel 1 (121.94 acres of land) and Parcel 2 (7.24 acres of land) as described in Exhibits A, B, C and D to Modification Number Two of Lease dated May 2, 1994 and Exhibit A of Modification Number Three of Lease dated June 29, 2001 (the "Premises").
- C. Lease Modification Number Two grants Lessee the right to use the equivalent of 5.34 acres of land in the Airport's Lot D Garage for approximately 931 employee parking spaces (the "Lot D Garage Parking"), which spaces were displaced from 5.34 acres of Parcel 2 previously recaptured by City to accommodate City's development of the Multi-Modal Center at the Airport. The rental rate for the Lot D Garage Parking is equal to the product of 5.34 acres multiplied by the rate per acre that is in effect for the Premises, from time to time and as adjusted annually. This rent is in addition to rent for Parcels 1 and 2.
- D. Lease Modification Number Four of Lease approved the Cure Stipulation Agreement dated March 31, 2004 between City and Lessee, which Cure Stipulation granted Lessee a third option to extend the term of the Lease by an additional ten (10) years (the "MOC Lease Option"), commencing on July 1, 2013, and at a rent equal to the then fair market value of the land.
- E. City wishes to develop various facilities at the Airport, to be located within the Premises, and has negotiated to recapture the following acreage within the Premises, including:

- i. An equipment laydown and/or parking support area which requires that City acquire approximately 5.47 acres of Parcel 1 ("Relinquished Space A");
 - ii. A convenience store which requires that City acquire approximately 0.94 acres of Parcel 2 ("Relinquished Space B"); and
 - iii. A solar power reverter site which requires that City acquire approximately 0.12 acres of Parcel 2 ("Relinquished Space C", and collectively, with Relinquished Space A and Relinquished Space B, the "Relinquished Spaces").
- F. Lessee has agreed to modify the Premises by recapture of the Relinquished Spaces pursuant to this Modification, with a commensurate reduction in rent.
- G. Lessee wishes to exercise the MOC Lease Option to extend the current term based on a rental rate equal to fair market value of the land and the modified Premises description.
- H. City agrees to allow Lessee to return, at Lessee's option, up to thirty percent (30%) of the acreage comprising the Premises and the equivalent Lot D Garage Parking (cumulatively, 129.47 acres) effective on either July 1, 2018 or July 1, 2019, conditioned upon seven (7) months prior written notice to City, and with a commensurate reduction in rent.

NOW THEREFORE, in consideration of the foregoing and mutual covenants set forth herein, and other good and valuable consideration, receipt of which is hereby acknowledged, City and Lessee hereby agree as follows:

1. **Recitals; Effective Date; Defined Terms.**

- (a) The recitals set forth above are true and correct and are hereby incorporated in their entirety.
- (b) The effective date (the "Effective Date") of this Modification is July 1, 2013, conditioned upon the approval of this Modification by the Airport Commission and Board of Supervisors, which approval shall not be unreasonably withheld, conditioned, or delayed.
- (c) Capitalized terms not defined herein shall have the meanings given them in the Lease.

2. **Demised Premises.** As of the Effective Date, the Premises comprising Parcels 1 and 2 are modified as follows:

- (a) Parcel 1 shall be reduced to 117.94 acres, by recapture of approximately 5.47 acres (Relinquished Space A), as more fully described on *Exhibit A*, attached hereto and incorporated herein.

- (b) Parcel 2 shall be reduced to 6.19 acres by recapture of approximately .94 acres (Relinquished Space B) and approximately 0.12 acres (Relinquished Space C), all as more fully described on *Exhibit A*, attached hereto and incorporated herein.
- (c) Lessee does hereby grant, give, release, relinquish and surrender to City, all of Lessee's right, title, interest, term of years, property, claim and demand whatsoever in, to or out of the Relinquished Spaces.

The Premises, as modified above, is comprised of approximately 124.13 acres of land, as more fully described on Airport Drawing CA 2012-04, dated October 15, 2012, and the appurtenant legal description, dated October 16, 2012, together with existing easements and rights-of-way, as attached below. As of the Effective Date, the term "Premises" as used in the Lease and herein shall mean the Premises as modified pursuant to the above.

- 3. **Exhibits.** From and after the Effective Date, Exhibits A, B, C and D to Modification Number Two of Lease and Exhibit A to Modification Number Three of Lease; and all related legal descriptions, shall be deleted in their entirety and substituted with: 1) Airport Drawing No. CA 2012-03, dated October 15, 2012, which reflects the Relinquished Spaces pursuant to this Modification, attached hereto and incorporated herein as *Exhibit A*; and 2) a revised legal description, dated October 16, 2012, and Airport Drawing No. CA 2012-04, dated October 15, 2012, which reflects the modified Premises, attached hereto and incorporated herein as *Exhibit B*.
- 4. **Option Term Rent.** The annual rent for the first year of the lease extension period (the "Option Term Rent") shall be \$12,040,710.00 comprised of: \$11,544,090.00 for Parcels 1 and 2, based on fair market value of the land equal to \$93,000.00 per acre per year; and \$496,620.00 per year for the Lot D Garage Parking (based on the then current rate per acre per year for Premises multiplied by 5.34, as such rental rates per acre may be adjusted from time to time). The Option Term Rent will remain constant for the second and third year of the Option Term. Effective the fourth year of the Option Term, the Option Term Rent shall be adjusted annually in accordance with Sections 4(a) and 4(b) below:

- (a) **Definitions.** For purposes of this Lease, the following capitalized terms shall have the following meanings:
 - (i) "Expiration Date" means June 30, 2023, the date upon which the Lease expires.
 - (ii) "Consumer Price Index" means that index published by the United States Department of Labor, Bureau of Labor Statistics known as "All Urban Consumers - All Items for the San Francisco/Oakland/San Jose Area (1982-84 = 100)." In the event such index is discontinued, then "Consumer Price Index" shall mean an index chosen by Director, which is, in Director's reasonable judgment, comparable to the index specified above.

- (iii) "Option Term Rent Adjustment Date" means July 1, 2016, the third anniversary of the Effective Date, and each anniversary of such adjustment date thereafter.
 - (iv) "Base Index" means the most recent Consumer Price Index published three (3) months prior to July 1, 2015, the second anniversary of the Effective Date.
 - (v) "Comparison Index" means the most recent Consumer Price Index published three (3) months prior to each Option Term Rent Adjustment Date.
 - (vi) "Lease Year" means the period commencing on the Effective Date and expiring on the day before the first Option Term Rent Adjustment Date, and each subsequent 12-month period, commencing on each Option Term Rent Adjustment Date and expiring on the day before the subsequent Option Term Rent Adjustment Date, or expiring on the Expiration Date, as the case may be.
- (b) Annual Adjustments to Option Term Rent. On each Option Term Rent Adjustment Date, the Option Term Rent will be adjusted as follows: if the Comparison Index shall exceed the Base Index, then the annual Option Term Rent with respect to the upcoming Lease Year shall be increased to equal the following amount:

$$\text{Option Term Rent on July 1, 2013} \times \frac{\text{Comparison Index}}{\text{Base Index}}$$

Notwithstanding, anything to the contrary to this Modification, in no event will the Option Term Rent for any Lease Year of the Term either : 1) exceed three percent (3%) of the Option Term Rent with respect to the prior Lease Year; or 2) be lower than the Option Term Rent with respect to the prior Lease Year.

5. **Contraction Option.**

- (a) Lessee shall have one (1) option (the "Contraction Option") to relinquish from the Premises certain areas consisting of up to thirty percent (30%) of the total acreage comprising the Premises and the Lot D Garage Parking, with such contraction to be effective either as of July 1, 2018 or July 1, 2019 (the "Contraction Date").
- (b) The Contraction Option shall be exercised by written notice given by Lessee to City no later than seven (7) months prior to the Contraction Date. With respect to exercise of the Contraction Option, Lessee's notice shall specify the amount of the acreage to be relinquished and the location of such acreage (the "Contraction Space"). The notice shall also identify any facilities located thereon and notify if

Lessee intends to remove any facilities, improvements, alterations, and trade fixtures constructed or installed by or at the expense of Lessee.

Within four (4) months of receipt of Lessee's notification by City, City shall advise Lessee by written notice of its acceptance or rejection of the proposal. If City determines, at its sole discretion, that Lessee's proposal does not provide functional and leasable area(s) for other airport purposes or tenancies, City may reject the proposal, in whole or in part.

- (c) In the event City rejects the Contraction Space, Lessee and City shall negotiate in good faith to determine Contraction Space that is mutually acceptable to both parties.
- (d) On the Contraction Date, Lessee shall surrender such Contraction Space as required herein. If Lessee exercises the Contraction Option, the Lease shall terminate as to the Contraction Space as though it had expired by lapse of time. Effective as of the Contraction Date, Option Term Rent shall equal the area of the remaining portion of the Premises multiplied by the then applicable rates for the Premises. Upon final determination of the Contraction Space and Option Term Rent payable for the remainder of the Premises, Lessee and City shall enter into a modification of the Lease confirming the foregoing.

Lessee shall conduct an environmental assessment of the Contraction Space to evaluate the existence of or potential for subsurface impacts from Lessee's use or occupancy and provide a report to the City on the Contraction Date. To the extent such environmental assessment identifies the existence of or potential for subsurface releases from Lessee's use or occupancy, the City will confer with Lessee and determine whether subsurface sampling by Lessee is necessary, taking into account the existence of prior subsurface data.

- 6. **Soil and Groundwater Remediation.** Lessee hereby incorporates by reference its prior commitment, as outlined and documented in the 2004 Settlement and Release Agreement (the "Settlement Agreement") with the City and County of San Francisco (CCSF v. ARCO et al), regarding its responsibility for environmental remediation of contamination at the MOC arising from Lessee's use or occupancy. Lessee further agrees to reimburse City for Future Costs as defined in the Settlement Agreement for contamination that exists in, or was released onto, the soil during the period between the date specified in the definition for "Existing Contamination" (Section II of the aforementioned Settlement Agreement) and the Contraction Date.

- 7. **City and Other Governmental Provisions.** The following Sections 52 through 56 shall be added to the Lease:

- 52. **Sunshine Ordinance.** In accordance with Section 67.24(e) of the San Francisco Administrative Code, contracts, contractors' bids, leases, agreements, responses to Requests for Solicitations, and all other records of communications between City and persons or firms seeking contracts

will be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract, lease, agreement or other benefit until and unless that person or organization is awarded the contract, lease, agreement or benefit. Information provided which is covered by this Section will be made available to the public upon request.

53. Requiring Health Benefits for Covered Employees.

- (a) Unless exempt, Lessee agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this Lease as though fully set forth. The text of the HCAO is available on the web at <http://www.sfgov.org/olse>. Capitalized terms used in this Section and not defined in this Lease shall have the meanings assigned to such terms in Chapter 12Q.
- (b) For each Covered Employee, Lessee shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If Lessee chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.
- (c) Notwithstanding the above, if the Lessee is a small business as defined in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with Subsection (A) above.
- (d) Lessee's failure to comply with the HCAO shall constitute a material breach of this Lease. City shall notify Lessee if such a breach has occurred. If, within thirty (30) days after receiving City's written notice of a breach of this Lease for violating the HCAO, Lessee fails to cure such breach or, if such breach cannot reasonably be cured within such period of thirty (30) days, Lessee 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 Sections 12Q.5.1, 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.

- (e) Any Subcontract entered into by Lessee 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. Lessee shall notify City's Purchasing Department when it enters into such a Subcontract and shall certify to the Purchasing Department 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. Lessee 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 Lessee based on the Subcontractor's failure to comply, provided that City has first provided Lessee with notice and an opportunity to obtain a cure of the violation.
- (f) Lessee shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to Lessee's compliance or anticipated compliance 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.
- (g) Lessee 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.
- (h) Lessee shall maintain employee and payroll records in compliance with California Labor Code and Industrial Welfare Commission orders.
- (i) Lessee shall keep itself informed of the current requirements of the HCAO.
- (j) Lessee 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.
- (k) Lessee 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 (10) business days to respond.
- (l) Lessee shall allow City to inspect Lessee's Premises and to have access to Lessee's employees in order to monitor and determine compliance with HCAO.

- (m) City may conduct random audits of Lessee to ascertain its compliance with HCAO. Lessee agrees to cooperate with City when it conducts such audits.
- (n) If Lessee is exempt from the HCAO when this Lease is executed because its amount is less than twenty-five thousand dollars (\$25,000), but Lessee later enters into an agreement or agreements that cause Lessee's aggregate amount of all agreements with City to reach seventy-five thousand dollars (\$75,000), all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Lessee and the Contracting Department to be equal to or greater than seventy-five thousand dollars (\$75,000) in the Fiscal Year.
54. Notification of Limitations on Contributions. Through its execution of this Lease, Lessee acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing any land or building to or from the City whenever such transaction would require approval by a City elective officer or the board on which that City elective officer serves, from making any campaign contribution to the officer at any time from the commencement of negotiations for such contract until the termination of negotiations for such contract or three (3) months has elapsed from the date the contract is approved by the City elective officer, or the board on which that City elective officer serves.
55. Food Service Waste Reduction. If and to the extent applicable, the Lessee agrees to comply fully with and be bound by all of the applicable provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided therein, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Lease as though fully set forth herein. Accordingly, Lessee acknowledges that City contractors and lessees may not use Disposable Food Service Ware that contains Polystyrene Foam in City Facilities and while performing under a City contract or lease, and shall instead use suitable Biodegradable/Compostable or Recyclable Disposable Food Service Ware. This provision is a material term of this Lease. By entering into this Lease, Lessee agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, Lessee agrees that the sum of one hundred dollars (\$100.00) liquidated damages for the first breach, two hundred dollars (\$200.00) liquidated damages for the second breach in the same year, and five hundred dollars (\$500.00) liquidated damages for subsequent breaches in

the same year is a reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this Lease was made. Such amounts shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Lessee's failure to comply with this provision.

56. Preservative-Treated Wood Containing Arsenic. Lessee may not purchase preservative-treated wood products containing arsenic in the performance of this Lease unless an exemption from the requirements of Environment Code Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Lessee may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Lessee from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

8. **Full Force and Effect.** As modified hereby, the Lease shall remain in full force and effect.

//////

X:\TENANTS\AIRLINES\LEASES\UAL MOC LEASE EXTENSION\UA MOC MODIFICATION 5 FINAL 3-13-13.DOC

IN WITNESS WHEREOF, the parties hereto have executed this Modification by their duly authorized officers, as of the day and year first above written.

CITY

AUTHORIZED BY AIRPORT
COMMISSION

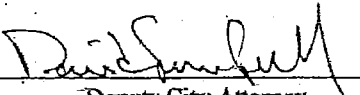
Resolution No. 13-0057

Adopted: March 19, 2013

Attest: _____

Secretary
Airport Commission

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


By 
Deputy City Attorney

City and County of San Francisco,
a municipal corporation,
acting by and through its Airport
Commission

John L. Martin
Airport Director


LESSEE:

United Air Lines, Inc.

By: 
Name: Kate Gebo
Title: Vice President
Corporate Real Estate

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FINAL PRINT




San Francisco International Airport

NO.	DATE	REVISION DESCRIPTION
1	2/28/81	ISSUE FOR CONSTRUCTION

PER RES. NO. 13—

UNITED MOC LEASE SURVEY

#L73-0066



San Francisco
City and County

Drawing No. 04 1011-03
1 of 1

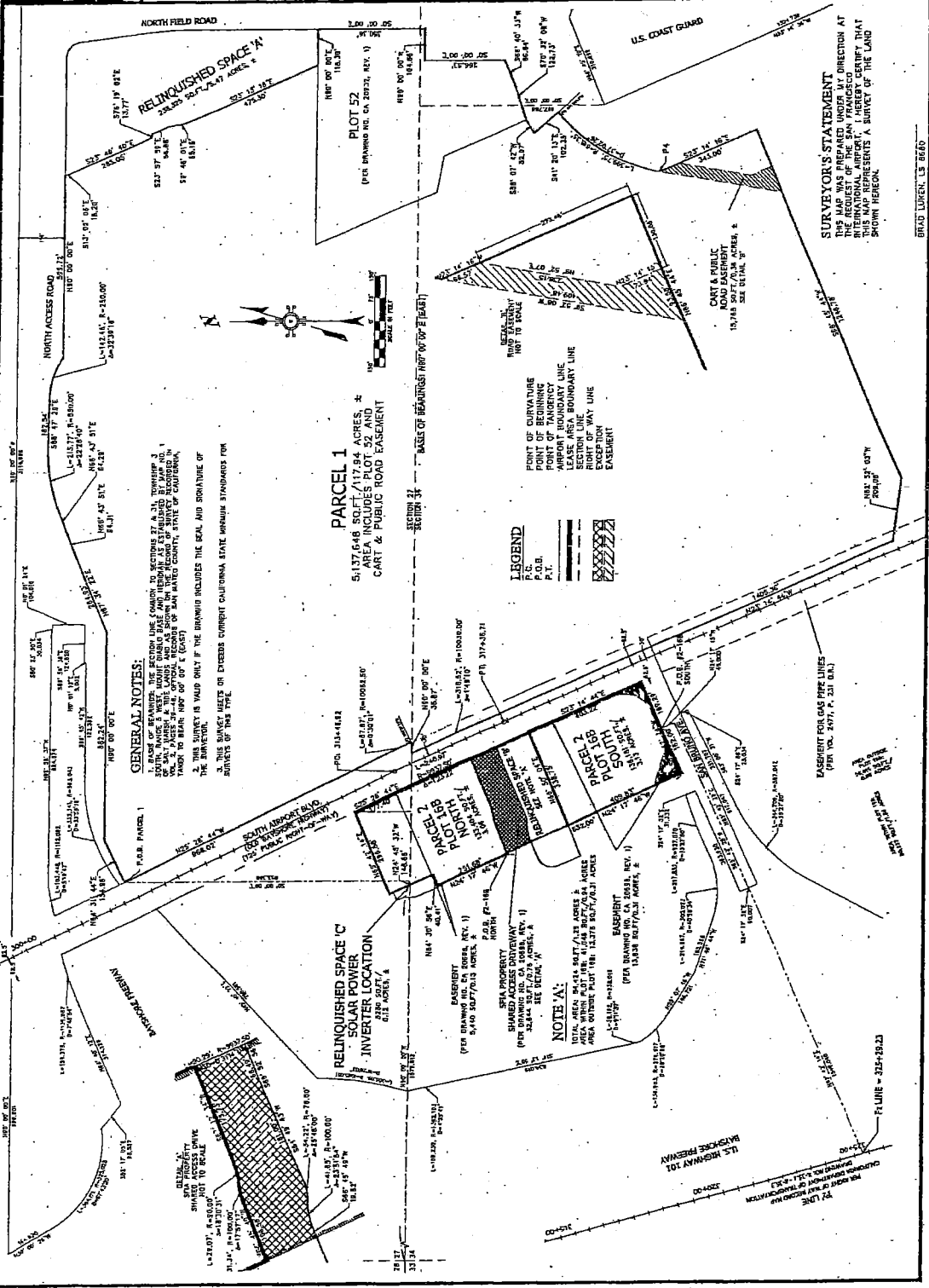



Exhibit A



SFO
San Francisco International Airport

NO.	DATE	DESCRIPTION	BY
1	12/21/88	WORK REVISION	...
2

EXISTING LEASE PREMISES
PER RES. NO. 13

UNITED MOC LEASE SURVEY

#L73-0066

Surveyor's Name: ...
 License No.: ...
 Date: ...

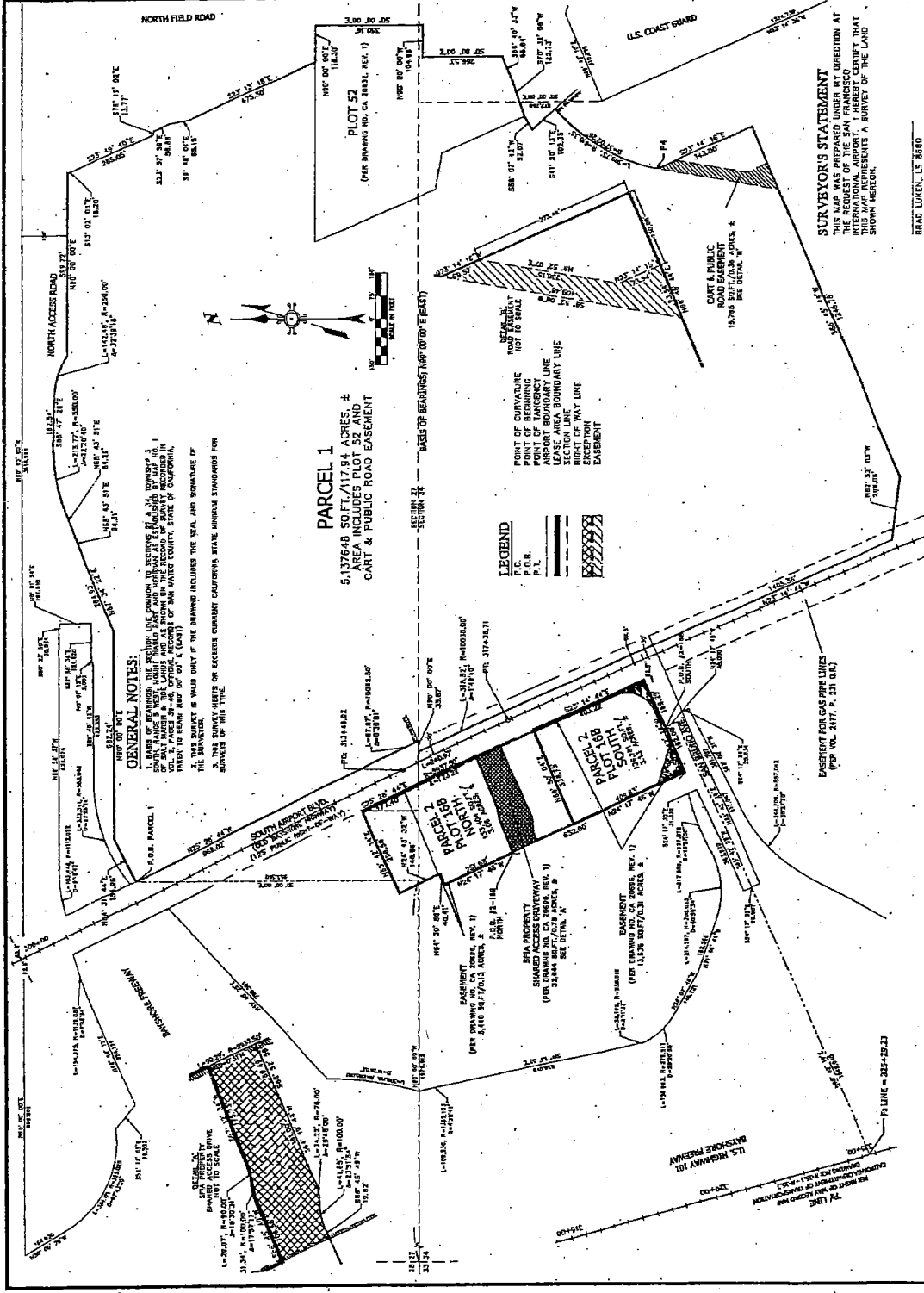


Exhibit B

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 13_0057

RESOLUTION 1) APPROVING LEASE MODIFICATION NO. FIVE TO LEASE NO. L73-0066, BETWEEN UNITED AIR LINES, INC. AND THE SAN FRANCISCO INTERNATIONAL AIRPORT, FOR APPROXIMATELY 124.13 ACRES OF LAND AT THE MAINTENANCE OPERATIONS CENTER AT PLOTS 16 AND 16B AND THE EQUIVALENT OF 5.34 ACRES FOR EMPLOYEE PARKING; AND 2) DIRECTING THE COMMISSION SECRETARY TO FORWARD LEASE MODIFICATION NO. FIVE TO THE BOARD OF SUPERVISORS FOR APPROVAL

WHEREAS, pursuant to Airport Commission Resolution No. 73-0066, dated June 18, 1973, as amended by Airport Commission Resolution Nos. 80-0066, 94-0139, 00-0440 and 04-0058, (the "Lease") United Air Lines, Inc. ("United") occupies approximately 129.18 acres of land at Plots 16 and 16B (the "Premises"), including certain rights-of-way and easements, utilized for its Maintenance Operations Center ("MOC") and utilizes the equivalent of 5.34 acres in the Airport's Lot D Garage for approximately 931 employee parking spaces (the "Lot D Employee Parking") as replacement parking for land that was removed from the Premises pursuant to Modification No. Two, dated May 2, 1996; and

WHEREAS, the Lease has a term of twenty (20) years with two 10-year options, the second of which expires on June 30, 2013; and

WHEREAS, pursuant to Modification No. Four to the Lease, the City approved a Cure Stipulation Agreement which granted United a third option to extend the term of the Lease (the "Option") by an additional ten (10) years (the "Option Term") at a rent equal to fair market value of the land. On January 4, 2013, United formally exercised the Option; and

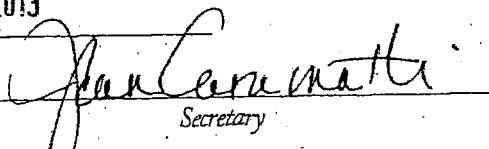
WHEREAS, the City and United have negotiated the terms and conditions of a modification which:
1) adjusts annual rent to \$12,040,710, based on a negotiated fair market value of \$93,000 per acre per year for years one through three of the Option Term, with annual CPI adjustments thereafter using year three of the Option Term as the base index, and which adjustments are capped at 3% per year; 2) reduces the Premises to 124.13 acres, including certain rights-of-way and easements; and 3) grants United a one-time Option to relinquish up to thirty percent (30%) of the acreage comprising the Premises and the Lot D Employee Parking (the "Contraction Option"), to be effective either July 1, 2018 or July 1, 2019 conditioned upon certain requirements, all as more fully set forth in the Director's Memorandum (collectively, the "Modification"); now, therefore, be it

RESOLVED, that this Commission hereby approves and authorizes the Director to execute Modification No. Five to Lease No. L73-0066 between United Air Lines and the City which: 1) adjusts the annual rent to \$12,040,710, based on \$93,000 per acre per year for 129.47 acres, with subsequent adjustments commencing in year 4 of the Option Term; 2) reduces the Premises to approximately 124.13 acres of land at Plots 16 and 16B, including certain rights-of-way and easements; and 3) grants United a one-time Contraction Option; and, be it further

RESOLVED, that the Commission Secretary is hereby directed to request approval of Modification No. Five of the Lease 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
at its meeting of* _____

MAR 19 2013


Secretary



San Francisco International Airport

MEMORANDUM

March 19, 2013

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Eleanor Johns
Hon. Richard J. Guggenlime
Hon. Peter A. Stern

FROM: Airport Director

SUBJECT: Approval of Modification No. Five to Lease No. L73-0066, between United Air Lines, Inc. and the San Francisco International Airport, for Land at the Maintenance Operations Center at Plots 16 and 16B.

DIRECTOR'S RECOMMENDATION: ADOPT THE ACCOMPANYING RESOLUTION TO APPROVE MODIFICATION NO. FIVE TO LEASE L73-0066, BETWEEN UNITED AIR LINES, INC. AND THE SAN FRANCISCO INTERNATIONAL AIRPORT, FOR APPROXIMATELY 124.13 ACRES OF LAND AT THE MAINTENANCE OPERATIONS CENTER AT PLOTS 16 AND 16B AND EQUIVALENT EMPLOYEE PARKING AT THE AIRPORT'S LOT D GARAGE.

Executive Summary

Pursuant to Lease No. L73-0066 (the "Lease") between the City and County of San Francisco, acting by and through its Airport Commission (the "City" or "Airport") and United Air Lines, Inc. ("United"), United leases approximately 129.18 acres of land at Plots 16 and 16B for its Maintenance Operation Center ("MOC"), including certain rights-of-way and easements, and is granted the right to use the equivalent of 5.34 acres in the Airport's Lot D Garage for employee parking. The current rent is \$11,122,951 per year, based on a rate of \$82,686.32 per acre per year.

The Lease has a term of twenty years with two 10-year options, the latter of which expires on June 30, 2013. Pursuant to Modification No. Four to the Lease, the City approved a Cure Stipulation Agreement which granted United a third option to extend the term of the Lease (the "Option") by an additional ten (10) years (the "Option Term") at a rent equal to fair market value of the land. On January 4, 2013, United formally exercised the Option subject to negotiation of the business terms and approval by United's Board. No additional Airport Commission or Board of Supervisors' approval is required for the term extension based on the terms and conditions of the Cure Stipulation Agreement, as approved in 2004.

The parties have negotiated certain other business terms of the modification as follows:

- 1) annual rent will be adjusted to \$12,040,710.00, an eight percent (8%) increase based on the fair market value of \$93,000 per acre per year;
- 2) rent will be adjusted pursuant to a structured adjustment schedule;
- 3) the Premises will be reduced to 124.13 acres, at the request of the City, to address an increased need for land for Airport purposes; and
- 4) United will be granted a one-time option to relinquish up to thirty

THIS PRINT COVERS CALENDAR ITEM NO. 4

AIRPORT COMMISSION - CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE
MAYOR

LARRY MAZZOLA
PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

ELEANOR JOHNS

RICHARD J. GUGGENHIME

PETER A. STERN

JOHN L. MARTIN
AIRPORT DIRECTOR

percent (30%) of the acreage comprising the Premises and the equivalent acreage for the Lot D Employee Parking (129.47 acres) effective on the commencement of either year six or seven of the Option Term, subject to Airport review and approval (collectively, the "Modification").

Staff is seeking Airport Commission approval of the Modification based on the business terms set forth below.

Background

Pursuant to Airport Commission Resolution No. 73-0066, dated June 18, 1973, as amended by Airport Commission Resolution Nos. 80-0066, 94-0139, 00-0440 and 04-0058, United occupies approximately 129.18 acres of land at Plots 16 and 16B for its MOC (the "Premises") and uses the equivalent of 5.34 acres in the Airport's Lot D Garage for approximately 931 employee parking spaces as replacement for parking formerly situated on 5.34 acres of land that was removed from the Premises pursuant to Modification No. Two, dated May 2, 1996 (the "Lot D Employee Parking"). The rental rate paid for the Lot D Employee Parking is based on the same rate, in effect from time to time, as the rental rate for the Premises. The annual rent is, therefore, based on 134.52 acres of land.

The Lease has a term of twenty (20) years with two 10-year options, the second of which expires on June 30, 2013. Pursuant to Resolution No. 04-0058, adopted March 31, 2004, the Commission approved the Cure Stipulation Agreement relating to United's Chapter 11 bankruptcy proceedings. This granted United one additional 10-year option to extend the term at a rental rate equal to fair market value of the land. United formally exercised the Option on January 4, 2013.

In light of upcoming Airport projects in the MOC vicinity, including the development of a gas station and a solar power reverter site, and to provide for periodic overflow parking to satisfy peak parking demands, the Airport has negotiated with United to recapture approximately 6.53 acres of land. The proposed Premises will be comprised of approximately 124.13 acres of land.

United also proposes that it be granted a one-time option to relinquish up to thirty percent (30%) of the acreage comprising the Premises and equivalent acreage for the Lot D Employee Parking (the "Contraction Option"), not to exceed 38.84 acres, to provide flexibility for land requirements over the Option Term. United and the City have negotiated the terms and conditions of such relinquishment.

In anticipation of the changes contemplated in the Modification, and to prepare for the pending negotiation of the terms and conditions of the Modification, the Airport: 1) had the MOC Premises resurveyed to validate the future boundary of the Premises and the parcels to be recaptured; and 2) initiated an appraisal by the City's Real Estate Department to determine the fair market value of the land.

Proposal

Staff has negotiated, and is seeking approval of, the following business terms of the Modification:

1. **Premises:** Approximately 124.13 acres of land at Plots 16 and 16B for the MOC, including certain rights-of-way and easements.
2. **Lot D Employee Parking:** Use of the equivalent of 5.34 acres of land for employee parking in the Airport's Lot D Garage will continue.
3. **Option Term:** Ten (10) years.
4. **Effective Date of Option Term:** July 1, 2013.

5. **Expiration Date:** June 30, 2023.
6. **Annual Rent:** Twelve Million Forty Thousand Seven Hundred and Ten Dollars (\$12,040,710.00) per year (\$93,000 per acre per year times 129.47 acres).
7. **Rental Rate:** \$93,000 per acre per year based on a negotiated fair market value.
8. **Rent Adjustment:** Rent will be fixed for the second and third year of the Option Term. Commencing year four of the Option Term, and annually thereafter, the rent will be increased pursuant to changes in the Consumer Price Index, using year three as the base index, and conditioned upon a cap of three percent (3%) per year.
9. **Contraction Option:** United will be granted a one-time option to relinquish up to thirty percent (30%) of the total acreage comprising the Premises and the equivalent acreage of the Lot D Employee Parking (the "Contraction Space"), not to exceed 38.84 acres, to be effective on either July 1, 2018 or July 1, 2019, at United's discretion. United shall provide seven (7) months written notice to the Airport specifying the location of the Contraction Space; the Airport shall have four (4) months to either accept or reject the proposal. In the event the City rejects the proposal, the parties shall negotiate in good faith to determine Contraction Space that is mutually acceptable by both parties.

Recommendation

I recommend the adoption of the accompanying Resolution approving Modification No. Five to the Lease with United Air Lines to: 1) adjust the annual rent to \$12,040,710.00 based on \$93,000 per acre per year with subsequent adjustments as specified herein; 2) reduce the Premises to 124.13 acres of land, including certain rights-of-way and easements; and 3) grant United a one-time Contraction Option. The resolution further directs the Commission Secretary to request Board of Supervisors' approval of Lease Modification No. Five, in accordance with City Charter Section 9.118.

John L. Martin
John L. Martin
Airport Director

Prepared by: Leo Fermin
Deputy Airport Director
Business and Finance

Attachment

JAL Contract

No. 27000-1

CITY AND COUNTY OF SAN FRANCISCO

DIANNE FEINSTEIN, MAYOR

MAINTENANCE BASE
LEASE MODIFICATION AGREEMENT
BETWEEN THE
CITY AND COUNTY OF SAN FRANCISCO
AND
UNITED AIR LINES, INC.

AIRPORTS COMMISSION

Morris Bernstein, President

William K. Coblenz, Vice President

Ruth S. Kadish

Z. L. Goosby

J. Edward Fleishell

Richard A. Heath
Director of Airports

UAL Contract

No. 27000

CITY AND COUNTY OF SAN FRANCISCO

JOSEPH L. ALIOTO, MAYOR

UNITED'S COPY

UNITED AIR LINES
MAINTENANCE BASE LEASE
SAN FRANCISCO INTERNATIONAL AIRPORT

AIRPORTS COMMISSION

William E. McDonnell, President

John A. Sutro, Vice President

William K. Coblenz - Commissioner
Wallace R. Lynn - Commissioner
Joseph E. Mazzola - Commissioner

William J. Dwyer
Director of Airports

My attention please

I N D E X

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GROUND LEASE
SAN FRANCISCO INTERNATIONAL AIRPORT

THIS INDENTURE OF LEASE, made and entered into this 18th
day of June, 1973, by and between the CITY AND COUNTY OF
SAN FRANCISCO, a municipal corporation (hereinafter referred to as
"City"), acting by and through its Airports Commission (hereinafter
referred to as "Commission"), Lessor, and UNITED AIR LINES, INC., a
corporation (hereinafter referred to as "Lessee"), Lessee,

W I T N E S S E T H:

WHEREAS, City owns and operates the San Francisco International
Airport (hereinafter referred to as the "Airport"), located in the
County of San Mateo, State of California, the Director of Airports
of said Commission being hereinafter referred to as "Director"; and

WHEREAS, Lessee is engaged in the business of air transporta-
tion; and

WHEREAS, the City and Lessee mutually desire to enter into this
indenture of lease of a portion of the lands of said Airport and
certain improvements thereon under the terms and conditions herein-
after set forth:

NOW, THEREFORE, it is hereby mutually agreed as follows:

1. EXTENT OF LEASEHOLD

For and in consideration of the rents herein reserved, and the
agreements, covenants and terms to be performed on the part of Lessee,
City hereby leases to Lessee, and Lessee hereby hires and takes from
City, that land at the Airport described as follows and which is
hereinafter referred to as the "demised premises":

Those two certain parcels of real property situate in the County
of San Mateo, State of California, and particularly described as
follows:

PARCEL 1

Commencing at the section corner common to Sections 27,
28, 33 and 34, T.3S., R.5W; MDB & M; thence along the
section line common to sections 27 and 34 East 1,679.58
feet; thence North 953.36 feet to a point in the south-
westerly property line of property owned by the City and
County of San Francisco at San Francisco International

NOTE -
BUILDING 26
APPROVED BY
COMMISSION FOR
#73-0214
OCT 2, 1973

Airport, said point being the intersection of a line parallel to and distant 953.36 feet at right angles North from the section line between said sections 27 and 34, which section line bears due east and west, and a line parallel to and distant 62.50 feet measured at right angles northeasterly from the centerline of the original Bayshore Highway as relinquished by the State of California to the City of South San Francisco by instrument dated January 27, 1948, and recorded February 10, 1948, Volume 1450, Official Records of San Mateo County, at page 190, said point being the true point of beginning of this description; thence North $64^{\circ}31'44''$ East 154.96 feet; thence East 682.24 feet; thence North $66^{\circ}45'44''$ East 431.61 feet; thence along the arc of a circular curve to the right tangent to the preceding course having a radius of 458.00 feet, a central angle of $26^{\circ}34'13''$, and an arc length of 212.39 feet; thence South $86^{\circ}40'03''$ East 110.00 feet; thence along the arc of a circular curve to the right, tangent to the preceding course, having a radius of 458.00 feet, central angle of $23^{\circ}58'49''$, and arc length of 191.69 feet; thence along a line parallel to and 150.00 feet measured at right angles south of the present northerly property line of San Francisco International Airport East 987.70 feet; thence along the arc of a circular curve to the right, tangent to the preceding course, having a radius of 50.00 feet, a central angle of $82^{\circ}34'30''$, and arc length of 72.06 feet; thence South $7^{\circ}25'30''$ East 233.51 feet; thence along the arc of a circular curve to the right, tangent to the preceding course, having a radius of 980.00 feet, central angle of $7^{\circ}25'30''$, and arc length of 127.00 feet to the end of curve; thence South 432.81 feet; thence West 706.47 feet; thence South $23^{\circ}14'16''$ East 430.32 feet; thence South $79^{\circ}26'25''$ East 120.34 feet; thence South $23^{\circ}14'16''$ East 298.96 feet; thence along the arc of a circular curve to the left, the center of said curve being South $27^{\circ}57'25''$ East 365.00 feet from the end of the preceding course, said curve having a radius of 365.00 feet, central angle of $85^{\circ}16'51''$, and an arc length of 543.28 feet; thence South $23^{\circ}14'16''$ East 318.66 feet; thence South $66^{\circ}45'44''$ West 1217.53 feet; thence North $62^{\circ}09'55''$ West 334.22 feet; thence along a line parallel to and distant 30.00 feet northeasterly measured at right angles from the centerline of the former Bayshore Highway as described in that deed from Mills Estate, Incorporated, a corporation, to the State of California, recorded August 8, 1925 in Volume 180, page 149, Official Records of San Mateo County, North $23^{\circ}14'16''$ West 1250.93 feet; thence along the arc of a circular curve to the left, said curve being distant 30.00 feet northeasterly measured radially from the centerline of said former Bayshore Highway, tangent to the preceding course, having a radius of 10,030.00 feet, a central angle of $1^{\circ}49'15''$ and an arc length of 318.75 feet, to a point in the section line common to Sections 27 and 34, T.3S, R.5W., MDB & M, thence along said section line East 35.86 feet; thence along the arc of a circular curve to the left, said curve being distant radially 62.50 feet northeasterly from the centerline of said former Bayshore Highway, the center of said curve being South $65^{\circ}01'40''$ West 10,062.50 feet from the end of the preceding course and said curve having a radius of 10,062.50 feet, a central angle of $0^{\circ}29'56''$, and an arc length of 87.62 feet; thence North $25^{\circ}28'16''$ West 968.18 feet to the true point of beginning; containing therein 115.23 acres, more or less, subject to the following listed recorded rights of way and easements and any other existing rights of way and easements thereon;

RECORDED RIGHTS OF WAY AND EASEMENTS

Easement for highway purposes (125 feet wide) as granted by Mills Estate, Inc., to State of California, dated October 25, 1924 and recorded August 8, 1925 in Book 180 of Official Records of San Mateo County at page 149. Affects that portion of former Bayshore Highway within Section 34, Township 3 South, Range 5 West.

That portion of the former Bayshore Highway lying South of the North line of Section 34, and Northwesterly of the Northeasterly extension of the Southeasterly line of San Bruno Avenue was relinquished to the County of San Mateo, by Instrument dated January 26, 1948 and recorded February 10, 1948 in Book 1447 of Official Records of San Mateo County at page 341, and the portion Southeasterly of San Bruno Avenue was abandoned by Instrument dated January 26, 1948 and recorded February 10, 1948 in Book 1450 of Official Records of San Mateo County at page 193.

Grant of Right of Way for highway purposes over a strip of land 125 feet wide, by South San Francisco Land and Improvement Company, to State of California, dated October 11, 1926 and recorded December 2, 1926 in Book 267 of Official Records of San Mateo County at page 348.

Affects former Bayshore Highway within Tide land lot 28, Section 27, Township 3 South, Range 5 West.

Instrument dated January 27, 1948 and recorded February 10, 1948 in Book 1450 of Official Records of San Mateo County at page 190, whereby the State of California relinquished to City of South San Francisco the above mentioned Right of Way.

Right of Way for road and utility purposes over a strip of land 60 feet wide near the north line of Section 34, extending Easterly from the Easterly line of the former Bayshore Highway, as granted by the City and County of San Francisco, a municipal corporation, to The United States of America, the first dated September 23, 1943 and recorded September 28, 1943 in Book 1097 of Official Records of San Mateo County at page 9, and the second dated November 8, 1943 and recorded April 11, 1944 in Book 1112 of Official Records of San Mateo County at page 165.

Effect of "Quitclaim Deed" by the United States of America to City and County of San Francisco dated January 16, 1952 and recorded on May 25, 1954 in Volume 2587, Official Records of San Mateo County, at page 456.

Covenants, conditions and reservations, as contained in the Deed from United States of America, acting by and through War Assets Administration, to City and County of San Francisco, dated June 13, 1947 and recorded July 15, 1947 in Book 1351 of Official Records of San Mateo County at page 273.

Said Deed provides for a reversion of title upon breach of conditions therein.

Affects Northerly portion of the herein described property lying East of Bayshore Highway.

Reservation in the United States of all fissionable materials, together with the right to enter upon the lands and prospect for, mine and remove such materials, in accordance with the requirements of Executive Order No. 9701 of the President.

Affects Northerly portion of the herein described property lying East of Bayshore Highway.

Right to locate, use and maintain electric transmission line and gas mains across the unimproved lands of grantor, as granted by South San Francisco Land & Improvement Company, a corporation, to Pacific Gas & Electric Company, a corporation, by Deed dated March 4, 1912 and recorded March 6, 1912

in Book 206 of Deeds at page 487, Records of San Mateo County.

By Instrument dated April 30, 1925 and recorded February 26, 1926 in Book 197 of Official Records of San Mateo County at page 467, Pacific Gas and Electric Company quitclaimed to South San Francisco Land & Improvement Company, all rights acquired by the first above mentioned Deed, except as to any lines then located and in use, the location of which are not established of record.

Affects Southerly portion of Section 27, Township 3 South, Range 5 West.

Right of Way 60 feet in width granted to United States of America by Instrument dated January 16, 1952, and filed for record on May 25, 1954 in Volume 2587, Official Records of San Mateo County, at page 464.

Should be Vol. 14 1951

*NO. 10
on Jan 16, 1952
U.S. quitclaim
Apr. 30, 1925
Recorded May 25, 1954
2587 page 464*

PARCEL 2

COMMENCING at the intersection of the centerlines of the Bayshore Freeway and San Bruno Avenue, which point of intersection is California Highway Commission Station "F" Line 325+29.23 P.O.T. and California Highway Commission Station "S" Line 17+40.80 P.O.T., Route 68, Section F, District IV, as shown on Sheet 8 of 62 sheets entitled "Plan and Profile of State Highway in San Mateo County, between Colma Creek in South San Francisco and Broadway in Burlingame"; thence along said centerline of San Bruno Avenue North 65°42'14" East 953.24 feet to a point on the easterly right of way line of the Bayshore Freeway, said point being distant along said right of way line South 24°17'46" East 52 feet from a California Highway Commission concrete monument; thence continuing along said centerline of San Bruno Avenue North 65°42'14" East 595.80 feet; thence North 24°17'46" West 45.00 feet to the true point of beginning of this description; thence North 24°17'46" West 45.00 feet; thence South 65°42'14" West 127.00 feet; thence along a curve to the right, tangent to the preceding course, radius 35.00 feet, central angle of 90°, an arc distance of 54.98 feet; thence North 24°17'46" West 1175.95 feet; thence North 25°28'16" West 561.61 feet; thence North 64°31'44" East 330.01 feet to a point on the southwesterly right of way line of the original Bayshore Highway, the portion of said right of way within Tide Land Lot No. 28, Section 27, T.3S., R.5W., MDB & M, being described in that deed from South San Francisco Land and Improvement Company to the State of California dated October 11, 1926 and recorded December 2, 1926 in Book 267, Official Records of San Mateo County, at page 348, and that portion of said right of way within Section 34 northeasterly of San Bruno Avenue being as described in that Easement from Mills Estate, Inc., to State of California dated October 23, 1924 and recorded August 8, 1925 in Book 180, Official Records of San Mateo County, at page 149; thence along said right of way line South 25°28'16" East 968.18 feet; thence continuing southeasterly along said right of way line on a curve to the right, tangent to the preceding course, radius 9,937.50 feet, central angle of 2°14', an arc distance of 387.35 feet; thence continuing along said right of way line South 23°14'16" East 468.98' to a point which is distant 45.00 feet and bears North 24°17'46" West from the center line of San Bruno Avenue; thence southwesterly parallel to and 45.00 feet from said centerline of San Bruno Avenue South 65°42'14" West 168.00 feet to said true point of beginning, containing 13.79 acres more or less; → less 0.89 acres per Res. 80-0066 of 7/1/50 = 12.9 acres

*Modification
of Res. 80-0066
3/18/50*

Reserving to City therefrom a ten-foot strip of land for utility purposes, containing an area of 0.21 acres, more or less, as shown on Airports Commission Drawing No. CA-13799.

together with all buildings, structures, and improvements thereon of whatsoever kind or nature, all of which lands and improvements are referred to herein as the "demised premises" and are identified by Airport Drawing No. CA-13799, dated August 28, 1972, Revision 2 thereof, dated November 9, 1972, attached hereto marked Exhibit "A" and made a part hereof, for the exclusive use of Lessee, but subject to the reservations set forth herein, together with rights of way incidental, appurtenant or related to the use and enjoyment of said demised premises, which rights of way Lessee shall have the right to use and enjoy as hereinafter provided, all of which are to be used for any and all purposes in any way connected with, related or incidental to Lessee's present or future air transportation operations and activities, including without limiting the generalities hereof, at Lessee's election, the construction and operation of aircraft maintenance hangar, test and storage facilities; the operation of management, administration, accounting, computer and supervisory offices and facilities; parking, turning, taxiing, loading, unloading (with the words "loading" and "unloading" modified hereinafter), maintaining, servicing, fueling, conditioning, overhauling, repairing, assembling, fabricating, modifying, constructing, housing, washing, storing, air conditioning, leasing, sale, and testing of aircraft and related equipment, mechanisms, devices, appliances, supplies, parts and accessories of all kinds, including mobile ground vehicles and other ground equipment used or useful in Lessee's air transport business; the receiving, storing, loading, unloading and delivery of personal property, cargo and mail; the maintenance, conduct and operation of facilities for feeding employees and guests of Lessee, including the operation of vending machines for dispensing food, beverages or cigarettes on the demised premises; the operation of facilities for the preparation or processing of in-flight meals for Lessee's and United States government passengers; the training of flight and ground personnel and students; vehicular parking for Lessee and its officers, employees, agents, passengers, guests, business visitors, suppliers of material and furnishers of service; installing and maintaining turbine fuel gasoline, oil or other fuel storage facilities and pipe lines or other

facilities to or from said storage facilities to any other area on the herein demised premises for the purpose of receiving and distributing said turbine fuel, gasoline, oil or other fuels; and the providing of maintenance and other services to others. The provisions of this section shall not be construed to authorize Lessee to conduct a separate business or businesses at the Airport but shall relate only to Lessee's air transportation operations and activities and uses and purposes in connection therewith or incidental or related thereto; provided, however, Lessee shall not be considered to be conducting such a separate business in those instances where Lessee utilizes, other than on a continuing long-term basis, improvements or equipment erected or installed on said demised premises by Lessee for the purposes of Lessee's air transportation operations to perform services for others to the extent said improvements or equipment are not required for Lessee's own operations. The provisions of this section authorizing loading or unloading do not permit Lessee to load or unload fare-paying passengers, revenue mail or cargo on the demised premises, except in the event of emergency; and except further that in the case of loading and unloading of revenue cargo and mail Lessee may do so on the demised premises when necessary to its operation due to inadequacy of other facilities on the Airport or when aircraft on which revenue cargo or mail is to be loaded or unloaded are on the demised premises for purposes other than loading or unloading revenue cargo or mail. In nonemergency situations Director may in writing, and conditionally, consent in advance to such loading or unloading on the demised premises. Lessee shall not conduct its regular handling, loading and unloading of revenue cargo or mail, or conduct a revenue cargo or mail facility on the demised premises.

Exclusiveness of use shall apply only to the demised premises and shall be subject to the provisions of Section 8 hereinafter. Subject to payment of the sums required by the schedule of landing fees, rates and charges now in effect or as hereafter established, revised, altered or amended, or as may be required by applicable contracts in effect between City and Lessee, and subject to the

Rules and Regulations promulgated for said Airport now in effect or as hereafter established or revised, Lessee shall have the right of access to and use of facilities at the Airport designed for common use, such as landing area, aprons, taxiways, flood light, landing lights, beacons, signals, radio aids, tower communication, public address system, and other common use facilities supplied by City for convenience and accommodation in operation, landings and takeoff of aircraft. The rights herein extended to Lessee shall be inclusive of the rights to land, takeoff, tow, load or unload aircraft.

Except as otherwise provided herein, and if Lessee is not in default of the terms of this lease, Lessee shall have the use of and enjoy the quiet and peaceful possession of the demised premises.

2. TERM

The original term of this lease shall commence July 1, 1973, and shall continue thereafter to and including the twentieth (20th) anniversary of such date unless terminated as provided herein; and, in addition to the original term, Lessee is hereby granted two (2) consecutive options to extend said term, each option being to extend the original term for a period of ten (10) years subject to the terms and conditions herein provided. Lessee, in exercising said option or options, shall notify Commission thereof in writing not later than ninety (90) days prior to the termination of said original term, or prior to the termination of any subsequent extension period, as the case may be. This Indenture of Lease shall become effective only upon the condition that it and the Landing Fees Agreement between City and Lessee (therein called Airline) shall have received all necessary approvals prior to July 1, 1973, so that the terms thereof shall commence July 1, 1973; in the absence of such approvals this Indenture of Lease and all of its provisions shall be null and void.

3. RENTAL

Lessee hereby covenants and agrees to pay to City as annual rental for the use of the demised premises, including said incidental, appurtenant and related rights of way:

(a) For each year of the period commencing on the afore-said commencement date and ending on the day immediately preceding

the tenth (10th) anniversary of said commencement date, the sum of Five Hundred Sixty-One Thousand Two Hundred and Thirty-Seven Dollars (\$561,237.00) being at the rate of Four Thousand Three Hundred and Fifty Dollars (\$4,350.00) per acre per annum.

(b) For each year of the next ten (10) years commencing on the tenth (10th) anniversary of said commencement date, the ground rental as fixed and determined by Commission, acting upon the recommendation of City's Director of Property, following a reappraisal of the demised land only, which rental shall be reasonable; prior to making such recommendation to the Commission, said Director of Property shall meet with Lessee to consider any data Lessee may wish to submit to him and to disclose all factors forming the basis of his recommendation. Said reappraisal shall consider all elements of value affecting fair market value including, but not limited to, such factors as: possessory interest and real property taxes, land use restrictions of the Airport Master Plan, structure height and placement limitations imposed by Federal Aviation Administration and Civil Aeronautics Board regulations.

(c) For each year of the next ten (10) years, commencing on the twentieth (20th) anniversary of said commencement date, the sum mutually agreed by Commission and Lessee, and Commission covenants and agrees to negotiate with Lessee as to the annual reasonable land rental only, and Commission, by resolution, shall extend the original term as extended for a period of ten (10) years, subject to said agreed rental.

(d) For each year of the next ten (10) years, commencing on the thirtieth (30th) anniversary of said commencement date (in the event that Lessee shall have exercised its first aforesaid option), the sum mutually agreed by Commission and Lessee, and Commission hereby covenants and agrees to negotiate with Lessee as to the annual reasonable land rental only, and Commission, by resolution, shall extend the original term as extended to the date immediately preceding the fortieth (40th) anniversary of the aforesaid commencement date, subject to said agreed rental.

(e) In establishing rental for a particular ten-year period pursuant to paragraphs (b), (c) and (d) above, the City

and Lessee agree that such rental shall be established for use of the demised lands only and that any valuation that may arise from any buildings, structures or improvements or any alterations, modifications or enlargements thereof placed by Lessee on said lands heretofore or hereafter shall be excluded.

Said annual rentals shall be paid to City in equal monthly installments, in advance, on the first day of each month. Installments for a fraction of a month shall be prorated. Said installments shall be in lawful money of the United States of America, free from all claims, demands, setoffs or counterclaims of any kind against City.

4. OTHER LEASES, ETC., NOT AFFECTED

If the parties hereto have heretofore entered into any other lease, license, permit or agreement covering premises or facilities at the Airport, or for the use of the Airport, this lease, and the terms, conditions, provisions or covenants hereof, shall apply only to and in respect of the Airport lands and improvements herein particularly described and herein referred to as the demised premises, and neither this lease nor any of the terms, conditions, provisions or covenants hereof, shall in any way or in any respect change, amend, modify, alter, enlarge, impair or prejudice any of the rights, privileges, duties or obligations of either of the parties hereto, under or by reason of any other said lease, permit, license or other agreement between said parties. The provisions of this section shall be without prejudice to any claim or contention either of the parties hereto make, or may hereafter make, with respect to the legality or validity of any provision in any other lease, permit, license or other agreement existing between the parties.

5. UTILITIES

During the term of this lease unless terminated earlier as provided in this lease, Lessee shall have the right to obtain, and City shall furnish service from City's water, sewage, storm water drainage and electric power facilities, adequate to meet Lessee's requirements as indicated by Airport Drawing No. CA-13800, dated

August 28, 1972 attached hereto marked Exhibit "B" and made a part hereof, but Lessee shall acquire no title thereto. Lessee shall have the right to request and receive telephone and communications services and illuminating or industrial gas service, subject to the customary rules and regulations of these utility companies, from the utility companies furnishing such services, whether the companies deliver such services directly through their own conduits or pipes or through conduits or pipes owned by City. Lessee agrees to pay all charges legally established for said utility and facility services.

City, at its own cost and expense, agrees to bring adequate connections for said utilities and facilities to those points indicated on Exhibit "B" attached hereto and made a part hereof. Any extension of said utilities and facilities from said connections to or within said demised premises, made by Lessee for the sole use of Lessee, shall be made at the cost and expense of Lessee, who shall have the right of access to said points indicated on Exhibit "B" from the demised premises; provided, that City reserves the right to relocate any or all of said connections, at its own expense, in which event City will replace any and all of Lessee's utility or facility lines or ducts with not less than comparable material or supplies at City's expense, between newly located connections and Lessee's then existing utilities, and, in such event, Lessee's right of access to the point or points involved and as shown on Exhibit "B" shall terminate, and Lessee shall then have the right of access to such newly located connections from the demised premises. Lessee shall maintain, repair, or replace, if necessary, at its own cost and expense, all such utilities and facilities on the demised premises and therefrom to said connections. Lessee shall not cross-connect water supplies from sources other than City's supply pipes. City shall not be liable to Lessee for failure of any said utility to render service, or from temporary suspension of said utility or other services hereinabove enumerated. City shall have the right at all times, without unreasonably or unduly interfering with Lessee's use of the demised premises, utilities or facilities, to enter upon the demised premises and install, construct, maintain,

operate and remove water pipes, drainage pipes, electric power supply lines, telephone and communication conduits, sewerage lines, and any other utility or facility necessary or convenient for general Airport uses, and for the purpose of coordination, whether directly related to uses by Lessee or otherwise. In any such operation, City will not unnecessarily interrupt services to Lessee and the demised premises shall, in every such instance, be restored to the immediate prior condition at City's expense in the event of any excavation upon said demised premises for any of said purposes.

6. SEWERS AND DRAINS

Drains or other facilities provided by Lessee for the purpose of disposing of storm or other waters shall in no case be connected to sanitary sewers unless the quality and volume of such waters to be processed through the Airport Sanitary Treatment Plant shall be acceptable to the Director. In the event that Lessee's facilities (either storm or sanitary) are below an elevation that will permit gravity flow into facilities provided by City, then Lessee shall provide and maintain such pumping facilities as may be necessary to deliver storm water or sanitary sewage to the proper drainage system facilities or sanitary sewers provided by City for the disposal of same.

Lessee, alone or in conjunction with others, and subject to the approval of the Commission, shall provide and at all times maintain, at its own expense, adequate separators, filters, tanks, or other mechanical or chemical devices to prevent the flow from the demised premises into City stormwater drainage and sewer systems or conduits, of any petroleum, chemical, mineral or other deleterious matter or substances, which would cause hazards or unlawful contamination of the San Francisco Bay waters into which said systems flow, or which might interfere with the flow in said systems. In the event City determines that the above mentioned devices have not so prevented the flow of such matter and substances, then, on the written request of Director, Lessee shall install tanks or other devices on the demised premises to receive such substances and matter and cause them to be removed from the Airport.

Lessee and City agree to cooperate with and assist each other in efforts to comply with all laws, rules, regulations and requirements of the Federal Government, the State of California and San Mateo County, particularly of the San Francisco Bay Regional Water Pollution Control Board or its equivalent successor, and in this connection Lessee agrees to render such reports concerning the accumulation and disposition of its industrial wastes as may be required by Director.

7. ROADS AND TAXIWAYS

Lessee shall have reasonably convenient access to and from Airport taxiways and runways to and from the demised premises at the existing access points and such others as the Director may designate in writing. Lessee shall have access to the demised premises from the Airport service roads (which City agrees to maintain to Airport standards) at all existing access points and such future location or locations as mutually agreed between Lessee and Director.

8. INGRESS AND EGRESS

Lessee and its officers, employees, agents, passengers, guests, business visitors, suppliers of material and furnishers of service shall have the full right of ingress and egress to and from the demised premises for all uses of the demised premises, subject only to such reasonable rules and regulations now or hereafter established by City respecting such use and without the imposition of any charges by City against Lessee or its said suppliers and furnishers for the privilege of purchasing, selling, using, handling, or delivering such property or services or transporting same to, from or on the demised premises; provided, however, that City may impose a charge upon Lessee's suppliers or furnishers of service in an amount sufficient to compensate City for the costs incurred by City in the reasonable regulation by City of such suppliers or furnishers of service in the exercise by them of the foregoing right of ingress and egress, and, further, that such right of ingress and egress shall not alter or affect whatever contractual arrangements which may now or hereafter exist between City and Lessee's suppliers or furnishers of in-flight food service.

9. RIGHTS OF WAY

Without the imposition of any charge therefor, Lessee shall have the use and enjoyment of suitable rights of way over lands within the Airport not otherwise available hereunder to Lessee, between the demised premises and any other premises at the Airport which Lessee now has or may hereafter have the right to use and enjoy under any other lease, permit, license or other agreement with City, at locations and in a manner first to be approved in writing by Commission, for the purpose of enabling Lessee to install and maintain conduits, ducts, pipes and wires, and incidental accessories, equipment and devices which are or may be necessary or convenient thereto in connection with Lessee's communications, control, telephone, teletype, interphone, pneumatic tube, power, steam, drainage, sewage, water supply, illuminating and industrial gas supply, fuel (including turbine fuel and gasoline) pipe lines, or in connection with other similar facilities and supplies. Said rights of way for fuel (including gasoline) pipe lines shall include but shall not be limited to rights of way between the demised premises for the exclusive use of Lessee and any other premises at the Airport which Lessee now has or may hereafter have the right to use and enjoy under any other lease, permit, license or other agreement, and also between the demised premises and any other premises or place at the Airport which may be the source of Lessee's fuel supply or the place of delivery or storage of said fuel.

10. CONSTRUCTION BY LESSEE

Subject to the conditions herein set forth, Lessee shall have the right, at its own cost and expense, and without any rental credit from City, from time to time, to place, construct or erect on said demised premises, any buildings, structures or improvements which it may consider necessary or useful in connection with or related to air transportation operations and activities permitted to be carried on under the terms of this lease, and to alter, modify or enlarge any buildings, structures or improvements now or hereafter located on said premises. Lessee shall comply with all federal, state and county codes, laws, regulations, ordinances

and rules which may apply to the use of said buildings and improvements. All construction shall meet the applicable requirements of the latest amended edition of the Uniform Design Standards and Regulations Governing Tenant Construction Improvements at San Francisco International Airport, adopted by the Commission, and all construction shall be subject to inspection and approval by City, which approval shall not be withheld unreasonably. Major power lines and telephone lines constructed by Lessee on the demised premises shall be placed underground. Before commencing the construction of any new building or structure, or any alterations (except alterations deemed minor by Director who may approve same in writing), modifications or enlargements, Lessee shall submit plans and specifications therefor to Commission through Director, and Commission shall within thirty (30) days thereafter either approve, disapprove or require such modifications as may be necessary to meet City's architectural and structural requirements, provided that approval shall not be unreasonably withheld. Said plans, as approved by Commission, shall also be subject to approval by City's Art Commission. Upon the completion of any such alterations, modifications or enlargements, or such new construction, Lessee shall furnish City, through Director, with two (2) complete sets of detailed plans and specifications of the work as completed. City agrees that such plans and specifications shall not be made available to any third party except as required by law, without the consent of Lessee. In the event of construction or alteration, Lessee shall notify City thereof in writing ten (10) days in advance thereof and City shall have the right to enter and post and maintain notices of nonresponsibility upon the demised premises. All permanent buildings, structures and improvements hereafter constructed or placed upon the demised premises and all alterations, modifications and enlargements thereof and improvements therein, shall not be deemed trade fixtures, but shall become part of the demised premises with title thereto vesting in City at the expiration or sooner termination of this lease subject, however, to Lessee's right of exclusive possession, use and occupancy during the term of this lease in accordance with the terms and conditions hereof.

Lessee shall have the right at any time to demolish and remove, in whole or in part, any of said buildings or structures which are of a temporary character. Lessee shall have no right to remove a building or structure of a permanent character without the written consent of Commission, which may, in the discretion of Commission, be conditioned upon the obligation of Lessee to replace the same by a building or structure approved by Commission. For the purpose of the foregoing, a temporary building or structure is herein defined to mean a building or structure which, at the time it is constructed or erected, is intended to temporarily serve its purpose for a period not exceeding ten (10) years or as may be otherwise agreed by Lessee and City. All other types of buildings or structures shall be deemed permanent in character. Lessee shall have the right to install underground storage tanks on the demised premises and it is agreed that said storage tanks shall constitute removable property of Lessee under Section 12 of this lease and that Lessee shall have the right to remove said tanks at any time, provided that upon such removal Lessee shall repair at its own expense any damage resulting to City therefrom and, provided further, that Lessee agrees on the last day of said term, or sooner termination of this lease, to fill any holes and to remove any improvements caused by the removal of said tanks.

11. FIRE INSURANCE

Lessee shall be under no obligation to insure any temporary buildings or structures (as same are defined in Section 10 hereof) during the term of this lease against fire or any other casualty, and in the event that any of said temporary buildings or structures should be damaged or destroyed by fire or other casualty (irrespective of whether the same are or are not covered by insurance carried by Lessee), Lessee shall have no obligation whatever to City to repair or replace any of said temporary buildings or structures.

With respect to all permanent buildings, structures or other improvements heretofore erected by Lessee on said demised premises and upon commencement of the construction of any structures or buildings on the demised premises considered herein to be permanent, and thereafter throughout the existence of this lease, Lessee, at

its sole cost, shall keep and maintain fire insurance accompanied by the extended coverage endorsement now customarily issued by fire insurance companies in San Francisco, for the full replacement value with ninety percent (90%) average clause upon all such structures and buildings (excluding any aircraft docks or removable property and except as described in Section 12 hereof) and shall name City and Lessee as the insureds as their interests may appear. Said insurance shall be issued by an insurance company or companies meeting with the written approval of City's Controller and in legal form as approved by the City Attorney. Said insurance company or companies shall have a policyholders' surplus of at least ten times the amount of liability afforded under the policy or policies. A true copy or certificate of such insurance policy or policies shall be furnished upon issuance to Director and thereafter, on an annual basis, certificates of said insurance shall be furnished to Director, which certificates shall be subject to the aforesaid approvals.

Said policy or policies shall stipulate that no other insurance effected by City will be called on to contribute to a loss covered hereunder. City agrees to endeavor to give promptly to any encumbrancer under this lease written notice of any substantial damage or destruction of the buildings on the demised premises but City shall not be liable for its failure to give such notice.

In lieu of insurance as above required, Lessee may provide equal protection under a self-insurance plan of Lessee subject to prior written consent of Commission.

Should any of said permanent structures or buildings be damaged or destroyed by fire, or other risks under said extended coverage endorsement, it is understood that all sums recoverable under said insurance will be paid to City, and City covenants that all sums paid to and received by it under said policy, including any losses attributable to Lessee's interest, shall be used promptly by it for the repair or reconstruction of said buildings or structures, to Lessee's reasonable specifications, or for such other purpose mutually agreed by Commission and Lessee. Neither City nor Lessee shall be under any obligation with respect to repair or reconstruction except to the extent of the application by City of the

insurance proceeds to repair and reconstruction as herein provided.

Any renewal of said policy or policies shall be subject to the terms hereof. The insuring company shall deliver thirty (30) days' written notice to City prior to any termination or material change of said policy or policies.

12. REMOVABLE PROPERTY AND EQUIPMENT

At any time during the period the within lease is in effect and no later than the expiration of the term hereof, if Lessee is not then in default hereunder, Lessee shall have the right to remove any or all trade fixtures of every kind and nature whatsoever which Lessee theretofore has placed or installed upon the demised premises. It is hereby expressly understood and agreed that any and all machinery, tools, devices, appliances, furniture, furnishings, equipment and supplies of every kind and nature, theretofore so placed or installed by Lessee in or on any of said demised premises, shall, as between City and Lessee, be deemed to be and remain the trade fixtures of Lessee, notwithstanding the same are or may be attached, affixed or annexed to the land or the floors, ceilings or any other parts of any buildings or structures on said demised premises. Lessee shall have the right to remove the same, provided that upon said removal Lessee shall repair, at its own expense, any damage resulting therefrom.

13. REGULATIONS OF CITY

The occupancy and use by Lessee of the demised premises and the rights herein conferred upon Lessee shall be subject to such reasonable rules and regulations not inconsistent with the provisions of this lease, as are now or may hereafter be prescribed by City.

14. LESSEE'S ASSOCIATED AND AFFILIATED COMPANIES

Subject to the provisions of Section 1 hereof, Lessee may permit its associated or affiliated companies to use all or any part of the demised premises, rights of way, facilities, rights, licenses and privileges granted to Lessee hereunder for and in connection with and incidental to the operation of aircraft to the same extent and upon the same terms and conditions as set forth

in this lease.

Affiliated company shall mean a corporation or company engaged in the air transportation or related business in which Lessee shall hold a substantial financial or operating interest. Associated company shall mean a corporation or company engaged in foreign or overseas air commerce or transportation with which Lessee, or an affiliated company of Lessee, shall have any agreement for providing services thereto.

15. ASSIGNMENT, SUBLETTING AND HYPOTHECATION

Except as otherwise provided in this section, Lessee shall not assign this lease or any of its rights hereunder without the prior written consent of Commission. Such consent shall not be withheld unreasonably.

Lessee may, without the necessity of obtaining any consent from Commission, transfer this lease to any entity succeeding to all or substantially all of Lessee's assets by sale, merger, consolidation or reorganization, and in the event of such sale, merger, consolidation or reorganization, the resulting entity shall assume and be bound by all of the terms and conditions of this lease.

Lessee shall have the right, without the necessity of obtaining any consent from Commission, to encumber the leasehold estate created herein by mortgage, pledge, deed of trust, or other instrument, with a lender or lending institution, and shall have the right to assign or transfer Lessee's interest in any improvements constructed upon the demised premises by Lessee during the term of this or any prior indentures of lease described in Section 37 hereof to one or more persons or entities, for the purpose of financing such construction of improvements including any betterments or additions thereto. Such lenders, lending institutions, assignees and transferees of title are herein referred to as "encumbrancer" and the various instruments evidencing the rights of such encumbrancer(s) with respect to such leasehold estate and such improvements are herein called "security instrument(s)". Lessee shall promptly provide Director with a certified copy of any security instrument.

Any such encumbrancer may deliver notice to Director of the existence of its security instruments and of its name and post

office address. If such a notice be delivered to City, City will not exercise any right to terminate this lease unless City first mails to such encumbrancer, reasonable written notice of its intention so to do.

Such encumbrancers or any of them may make any payment or perform any act required under this lease to be made or performed by Lessee with the same effect as if made or performed by Lessee and no entry by any of such encumbrancers upon the demised premises for such purpose shall by that fact alone constitute or be deemed to be a default hereunder.

Such encumbrancers, their successors and assigns shall have the right to succeed to the leasehold estate created herein and to Lessee's interest in any improvements upon the demised premises under the exercise of the power of foreclosure or otherwise as permitted under the terms of encumbrancers' security instrument, without the necessity of obtaining Commission's written consent; provided, however, that any such encumbrancers, successors and assigns shall be bound by all the terms, covenants and conditions of this lease.

It is understood and agreed by Lessee that any consent to assignment given herein by City shall not release Lessee from its obligations to comply with all of the terms, covenants, agreements and conditions of this lease.

Notwithstanding anything to the contrary in this lease contained, Lessee may assign this lease as provided for in this section only if at the time of such assignment no default is existing or continuing in the performance of any of the terms, covenants, conditions, limitations or agreements on the part of Lessee to be performed.

Lessee shall not sublet the demised premises in part or in whole without the prior written consent of City. City may consent to a subletting of a part or all of the demised premises, in its absolute discretion, provided that such sublease shall be for an Airport purpose determined by Commission to be satisfactory for said Airport, and upon such terms and conditions first approved in writing by Commission. Such consent may be conditional in other respects including the approval of rent.

16. CANCELLATION BY CITY

If default be made by Lessee in any of the terms, conditions, agreements and covenants herein contained and to be performed by Lessee and Lessee shall continue in such default for a period of ninety (90) days after notice in writing from Commission of such default and specifying the same, then it shall be lawful for City, through Commission, to enter upon the demised premises and take exclusive possession of the same; provided, however, that if default should be Lessee's failure to pay rental due hereunder, said period shall be sixty (60) days, rather than ninety (90) days, and provided further that if the default (except for failure to pay rent) is of such nature that it cannot be cured within the said ninety (90) days above specified, Lessee shall be allowed such additional time as Commission may deem necessary to cure the same, and Lessee shall act with diligence. The exercise of the remedy provided in this section shall be cumulative and shall in nowise affect any other remedy available to City. In the event that City exercises the right to relet the demised premises, such reletting may be for any period of time and City shall be entitled to damages, if any, as the same accrue.

17. CANCELLATION BY LESSEE

Lessee may cancel this lease and terminate its obligation hereunder at any time, either prior to or subsequent to the commencement of the term hereby granted, upon or after the happening of any one of the following events:

(1) The failure or refusal of the Federal Aviation Administration, Civil Aeronautics Board, or other governmental agency having jurisdiction over the operations of Lessee, to grant or permit Lessee, for a period of ninety (90) days, the right to regularly operate into and from said Airport on account of the condition, maintenance or inadequacy of said Airport or any aid or facility maintained or provided by City;

(2) The inability of Lessee to use the demised premises and facilities for a period longer than ninety (90) days due to any order, rule or regulation of any appropriate governmental

agency having jurisdiction over the operations of Lessee on account of the condition, maintenance or inadequacy of said Airport or any aid or facility maintained or provided or required to be maintained or provided by City;

(3) The breach by City of, or its failure to perform, any of the covenants or agreements herein contained, and the failure of City to commence the remedy of such breach for a period of ninety (90) days after receipt of a written notice of the existence of such breach;

(4) The Federal Aviation Administration, Civil Aeronautics Board, or other governmental agency having jurisdiction, suspending for more than ninety (90) days, or revoking the right of Lessee to operate as a domestic or international direct air carrier to or from the Airport.

The exercise of the remedy provided in this section shall be cumulative and shall in nowise affect any other remedy available to Lessee.

18. NO WAIVER OF SUBSEQUENT BREACHES OR DEFAULTS

The failure of City or Lessee to insist upon a strict performance of any of the terms, conditions and covenants herein shall not be deemed a waiver of any subsequent breach or default in the terms, conditions and covenants herein contained.

19. INSPECTION BY CITY

City may enter upon the demised premises at any reasonable time for any purpose necessary, incidental to or connected with the performance of Lessee's obligations hereunder, or in the exercise of governmental functions, or in the event of any emergency.

20. TAXES

Lessee shall pay and discharge all lawful taxes and assessments which, during the term hereof, may become a lien upon or which may be levied by the state, county or any other tax-levying body upon any taxable interest of Lessee acquired in this lease, and upon any taxable possessory interest which Lessee may have in or to the premises or facilities hereby leased, and upon all

improvements erected by Lessee both prior to and under this lease on the demised premises. If Lessee has paid any such tax or assessment under protest, Lessee may contest the legality thereof.

Lessee agrees further that in the event the amount of the annual real property taxes last paid or payable by City upon the demised premises shall be increased at any time during the term or extension of this lease, for any reason whatsoever, Lessee shall pay annually and promptly for the remainder of said term or extensions, the amount of such increases to City, at the office of Director. Lessee's obligation to make any such payment shall be subject to its receipt from City of an invoice therefor accompanied by supporting information in reasonable detail setting forth the manner in which such increase payable by Lessee was computed by City. At Lessee's request and expense City shall contest any such increase upon all reasonable grounds available.

21. BANKRUPTCY OR REORGANIZATION PROCEEDINGS

In the event Lessee shall file a voluntary petition in bankruptcy, or that proceedings in bankruptcy shall be instituted against Lessee and Lessee is thereafter adjudicated bankrupt pursuant to such proceedings, or that the court shall take jurisdiction of Lessee and its assets pursuant to proceedings brought under the provisions of any Federal Reorganization Act, or that a receiver of Lessee's assets shall be appointed and not be removed within ninety (90) days from the date of appointment; or in the event that Lessee executes an assignment for the benefit of its creditors, City shall have the right to terminate this lease forthwith. If City exercises said right to terminate, such termination shall, in such instance, be deemed to occur upon the happening of any of said events, and from thenceforth Lessee shall have no rights in or to the demised premises or to any of the privileges herein conferred.

22. INDEMNITY

Lessee agrees to indemnify and hold harmless City, Commission and its members, and all of the officers, agents and employees of either, from and against all liability for injuries to or deaths

of persons or damage to property proximately caused by Lessee's negligence, acts or omissions arising out of its use of, occupancy of, or operations on or about the demised premises; provided, however, that this covenant shall not extend to liabilities proximately caused by any negligence, acts or omissions on the part of City, Commission and its members, or the officers, agents and employees of either, or by tenants. Each party hereto shall give to the other prompt and timely written notice of any claim made or suit instituted coming to its knowledge which in any way, directly or indirectly, contingently or otherwise, affects or might affect either, and each shall have the right to participate in the defense of the same to the extent of its own interest.

23. FAITHFUL PERFORMANCE BOND

Prior to this lease becoming effective, Lessee shall deliver to Director a faithful performance bond, certificate of deposit or other negotiable instrument in the sum of two months' rent which meets with the written approval of said Controller and in form approved by said City Attorney, which bond or other negotiable instrument guarantees to City full and complete performance of all of the terms, conditions and covenants herein to be performed on the part of Lessee, including the payment of rental. Said bond or other negotiable instrument shall be maintained at the cost of Lessee throughout the existence of this lease and shall be renewed annually. In the event Lessee is the lessee of City at the Airport of lands other than those herein demised, and under the terms of such other lease has provided City a faithful performance bond, Lessee may provide City, in lieu of the new aforesaid bond, with a rider or endorsement on said other bond extending the coverage thereof in the amount and for the purposes and subject to the requirements set forth herein. Renewals of said bond shall be subject to the terms hereof. Said surety shall give Director thirty (30) days prior written notice of cancellation or material change of said bond.

24. PUBLIC LIABILITY AND PROPERTY DAMAGE INSURANCE

Throughout the term of this lease and any extensions thereof, Lessee, at its own cost and expense, shall maintain an insurance

policy or policies issued by an insurance company or companies satisfactory to said Controller and in form approved by said City Attorney. Said insurance company or companies shall have a policyholders' surplus of at least ten times the amount of liability afforded under said policy. Said policy or policies shall afford liability insurance covering the operations of Lessee on or use of the demised premises, and on or about the Airport. Said policy or policies shall be expanded to include automobile and contractual liability assumed under this lease with respect to bodily injuries, personal injuries and property damage. Said policy or policies shall include City, Commission, and all of their officers, employees and agents, their successors and assigns, as named insureds, subject to the contractual liability clause as aforesaid, shall contain a standard cross-liability provision, and shall stipulate that no other insurance effected by City will be called upon to contribute to a loss covered hereunder. Said policy or policies shall cover loss or liability for damages in the amount of Two Million Dollars (\$2,000,000.00) single limit each accident for bodily injury, death or property damage occurred by reason of Lessee's operations in, on or about the Airport.

Said policy or policies shall provide that written notice of cancellation or of any material change shall be delivered to Director by the issuing company or companies thirty (30) days in advance of the effective date thereof. Lessee shall increase the aforesaid limit upon the written demand of Director, provided that such increase is found reasonable and necessary by Commission. The original or a certified duplicate copy of said policy or policies shall be delivered to Director prior to Lessee entering the demised premises.

In the event Lessee is the lessee of City under another lease of Airport land or space and has furnished insurance coverage to City as required by such other lease, Lessee may furnish to Director, in lieu of the policy or policies required in this section, an appropriate endorsement extending such coverage to the premises herein demised in the amount and subject to the conditions and requirements of this section.

On renewal anniversaries of said policy or policies, City will accept a certificate of insurance from the issuing company or companies, which certificate shall be subject to the aforesaid approvals of said Controller and City Attorney.

In lieu of insurance as above required, Lessee may provide equal protection under a self-insurance plan of Lessee, subject to prior written consent of Commission.

25. LEASE MADE IN CALIFORNIA

This lease shall be deemed to be made in and shall be construed in accordance with the laws of the State of California.

26. SUBORDINATION TO SPONSOR'S ASSURANCE AGREEMENT

This lease shall be subordinate and subject to the terms of any "Sponsor's Assurance Agreements" which have been furnished by City to the Administrator of Civil Aeronautics or the Federal Aviation Administration acting for the Government of the United States of America. Such agreements shall not be considered as waivers of any claim of Lessee against the United States of America.

27. APPLICABILITY OF CHARTER PROVISIONS

All terms of this lease shall be governed by and be subject to the fiscal provisions of City's Charter.

28. PREVENTION OF TRESPASS

Lessee shall comply with all Federal Aviation Administration security regulations to prevent unauthorized persons from gaining access to restricted flight and public aircraft operational areas through the demised premises.

29. PREVENTION OF NUISANCES OR HAZARDS

Lessee shall take such reasonable precautions as may be necessary to eliminate, lessen or reduce any nuisances or hazards created by the operation of aircraft power plants within the demised premises.

30. ADVERTISING SIGNS

Lessee shall have the right to install, operate and maintain on the demised premises, at its own cost, signs advertising its own

business, provided that no such sign shall be erected or maintained by Lessee without the prior written consent of Director.

31. NOTICES

All notices required to be given to City hereunder shall be given by registered or certified mail, addressed to Director of Airports, Airports Commission, San Francisco International Airport, San Francisco, California 94128, or such other address as City may designate in writing from time to time.

All notices required to be given to Lessee hereunder shall be given by registered or certified mail, addressed to Lessee at the Airport, or such other address as Lessee may designate in writing from time to time.

32. SECTION HEADINGS

The section headings contained herein are for convenience in reference and are not intended to define or limit the scope of any provisions of this lease.

33. CONFLICT OF INTEREST

Lessee hereby states that it is familiar with the provisions of Section 8.105 of the San Francisco Charter and certifies that it knows of no facts which constitute a violation of said section. It further certifies that it will make a complete disclosure to Commission of all facts bearing upon any possible interest, direct or indirect, which it believes any member of Commission, or other officer or employee of the City and County of San Francisco presently has or will have in this lease or in the performance thereof, or in any portion of the profits thereof. Wilful failure to make such disclosure, if any, shall constitute grounds for termination of this lease by City.

34. DECLARATION RE AIRPORT PRIVATE ROADS

Lessee hereby acknowledges and agrees that all roads existing at the date of execution hereof within the boundaries of the San Francisco International Airport, or as shown on the current 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 Plan, and with the exception of that portion of the North Airport Road which runs from the off and on ramps of the State Bayshore Freeway to the intersection with said old Bayshore Highway as shown on said Plan. Lessee further acknowledges and agrees that any and all roads hereafter constructed or opened by City within the Airport boundaries will be the private property and roads of City unless otherwise designated by appropriate action. The acknowledgments and agreements set forth in this section are in no way intended to diminish, restrict or permit any interference with Lessee's right to exclusive use of the demised premises or with Lessee's rights pursuant to Sections 7 and 8 hereof.

35. NONDISCRIMINATION

Lessee 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 non-discrimination, which have been required by Title VI of the Civil Rights Act of 1964, and by Title 49, Code of Federal Regulations, Department of Transportation, as a condition precedent to the government making grants in aid to City for certain Airport programs and activities, and that City is required under said Regulations to include in every agreement or concession pursuant to which any person or persons other than City, operates or has the right to operate any facility on the Airport providing services to the public, the following covenant, to which Lessee agrees:

The Lessee for itself, its heirs, personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that in the event facilities are constructed, maintained, or otherwise operated on the said property described in this lease for a purpose for which a Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, the Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of

Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-assisted programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964; and as said Regulations may be amended.

The Lessee, for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that (1) no person on the grounds of race, color, or national origin shall be excluded from participation, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that the Lessee shall use the premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-assisted programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

City, in response to said Act and said Regulations, covenants and agrees with the United States of America that in the operation and use of the Airport it will not, on the grounds of race, color, or national origin, discriminate or permit discrimination against any person or group of persons in any manner prohibited by Title VI of the Civil Rights Act of 1964 and Title 49, Code of Federal Regulations, Department of Transportation and that it will include the foregoing covenant in every agreement or concession, as a covenant running with the land, pursuant to which any person or persons, other than City, operates or has the right to operate any facility on the Airport providing services to the public, and that it will also include in such agreement a provision granting to the United States of America the right to seek judicial enforcement with regard to any matter arising under the Act, the Regulations and this covenant and to City the right to take such action as the government may direct to enforce such covenant.

36. OPERATION AND MAINTENANCE OF AIRPORT

City shall at all times operate the Airport properly and in a prudent, reasonable and economical manner, maintain, preserve and keep the same properly or cause the same so to be maintained,

preserved and kept, with the appurtenances and every part and parcel thereof in good repair, working order and condition, and shall from time to time make or cause to be made all necessary and proper repairs, replacements and renewals so that at all times the operation of the Airport may be properly and advantageously conducted in conformity with standards customarily followed by municipalities operating airports of like size and character, including without limitation the use of the demised premises by the Lessee as herein provided.

37. CANCELLATION OF EXISTING LEASEHOLDS; TITLE TO EXISTING LESSEE IMPROVEMENTS

Notwithstanding the provisions of Section 4 hereof, in consideration of the execution and delivery of this Indenture of Lease, the City and Lessee hereby mutually agree to cancel and terminate in their entirety the following leases or agreements relating to portions of the demised premises hereunder:

(a) That certain Indenture of Lease dated December 1, 1947 (as amended) covering certain parcels of lands (together with certain improvements thereon owned by City) located at the Airport and designated as "Plot A" and "Plot B" in Paragraph 1 of said Indenture;

(b) Indenture of Lease dated October 1, 1955 (as amended), covering irregular strip of land to the west and south of Lessee's Maintenance Base;

(c) Indenture of Lease dated August 20, 1958, covering 13.79 acre parcel west of South Airport Boulevard;

(d) Indenture of Lease dated June 3, 1969, covering "Plot C";

(e) Indenture of Lease dated August 22, 1967, covering Substation U;

(f) Indenture of Lease dated September 10, 1969 (as amended), covering Plots "D" and "E".

The cancellation and termination of said Indentures shall be deemed effective as of the commencement of the term hereof, namely, July 1, 1973 and upon such date the parties hereto hereby release each other from the incurring of any further obligations or liabilities thereunder.

As a further consideration for the execution of this indenture by City, Lessee agrees that title to all buildings, structures and improvements heretofore erected by Lessee on any of the lands leased under the Indentures described above shall vest in City on the commencement of the term hereof, subject to Lessee's right of exclusive use and occupancy hereunder.

38. SEPARABILITY

In the event any covenant, condition or provision herein contained is held by any court of competent jurisdiction to be invalid, the invalidity of any such covenant, condition or provision shall in no way affect any other covenant, condition or provision herein contained; provided, however, that the invalidity of any such covenant, condition or provision does not materially prejudice either the City or the Lessee in their respective rights and obligations contained in the valid covenants, conditions or provisions in this lease. If the invalidity of any such covenant, condition or provision should be deemed materially to prejudice the Lessee in its rights or obligations contained in the valid covenants, conditions or provisions herein, or if the consequence or effect of the invalidity of any covenant, condition or provision herein contained will or may be to reduce any of the areas, spaces, improvements, structures, facilities, terms, benefits or privileges which the Lessee otherwise would or might enjoy or be entitled to, or to increase the rentals, charges, fees or other costs or expenses payable by the Lessee, the Lessee may nevertheless, at its option, elect either to terminate this lease in its entirety, or to continue it in full force and effect with only said invalid covenant, condition or provision, or said invalid covenants, conditions or provisions, eliminated therefrom.

39. NONDISCRIMINATORY EMPLOYMENT PRACTICES

The applicable provisions of Ordinance No. 261-66 as amended are incorporated herein and by reference made a part of this agreement. (See Addendum attached hereto.)

40. TIME

Time is of the essence of this lease.

IN WITNESS WHEREOF, the parties hereto have caused this lease to be signed, in quadruplicate, by their respective authorized officers and their respective corporate seals to be affixed hereunder on the day and year first hereinabove written.

LESSOR

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

APPROVED AS TO FORM:

THOMAS M. O'CONNOR
City Attorney

By William F. Dawse
Utilities General Counsel

Authorized by:
Board of Supervisors
Resolution No. 313-73
Dated May 7, 1973

Robert J. Dolan
Robert J. Dolan, Clerk of the
Board of Supervisors

DEPT.	INITIALS
LES	WWT
PROPERTY	AK
LAW	WFR
IN	WFB

AIRPORTS COMMISSION

Wm. J. [Signature]
Director of Airports

Authorized by:

Airports Commission

Resolution No. 73-0066

Adopted: March 20, 1973

ATTEST:

Richard B. Newport
Secretary

APPROVED:

Wallace Wortman

Wallace Wortman
Director of Property

LESSEE

UNITED AIR LINES, INC.

By Shirley F. McEwen (Seal)

EXECUTIVE VICE PRESIDENT AND
CHIEF OPERATING OFFICER

ATTEST: [Signature]
ASSISTANT SECRETARY

(To be accompanied by certified copy of corporate resolution authorizing execution hereof.)

ORDINANCE NO. 1-91

FILE NO. 27-90-9

1 (AIRPORT - LEASE MODIFICATIONS)

2
3
4 APPROVING MODIFICATION NO. 2 OF LEASE AGREEMENT BETWEEN PAN AMERICAN WORLD
5 AIRWAYS, INC. AND CITY AND COUNTY OF SAN FRANCISCO, ACTING BY AND THROUGH ITS
6 AIRPORTS COMMISSION.

7
8 It ordained by the People of the City and County of San Francisco:
9 Section 1. Pursuant to Section 2.402-1 of the Charter, the Board of
10 Supervisors hereby approves Modification No. 2 of the Lease and Use Agreement
11 between Pan American World Airways, Inc. and the City and County of San
12 Francisco, acting by and through its Airports Commission, a copy of the
13 Modification which is contained in Board of Supervisors' File Number 27-90-9.

14
15 APPROVED, AS TO FORM,
16 LOUISE H. REMBE
17 City Attorney

18 By *[Signature]*
19 Deputy City Attorney

1502

Board of Supervisors, San Francisco
Passed for Second Reading
January 7, 1991
Finally Passed
January 14, 1991

Ayest: Supervisor Alloto
Honorable Gonzales Hallinan Hales
Kennedy Mearns Walker Ward
Absent: Supervisor Brett Meider
Absent: Supervisor Alloto Kennedy

I hereby certify that the foregoing ordinance
was finally passed by the Board of Supervisors
of the City and County of San Francisco

[Signature] Clerk
[Signature] Mayor

File No. 27-90-9
Date Approved JAN 14 1991

SAN FRANCISCO INTERNATIONAL AIRPORT

LEASE MODIFICATION AGREEMENT

THIS MODIFICATION OF LEASE, made and entered into this first day of April, 1980, by and between the City and County of San Francisco, acting by and through its Airports Commission, as Lessor (hereinafter called "City"), and United Airlines, Inc., a corporation, as Lessee.

W I T N E S S E T H :

WHEREAS, United Airlines, Inc. (hereinafter called "Lessee") is the Lessee under a lease dated June 18, 1973, and entitled "United Airlines - Maintenance Base Lease - San Francisco International Airport" which demises a Parcel 1 containing 115.23 acres and Parcel 2 containing 13.79 acres together with improvements thereon for an initial term of twenty (20) years plus two (2) additional consecutive ten (10) year renewal options with rental over the first ten (10) year period from July 1, 1973, through June 30, 1983, at the rate of \$4,350 per acre per year, as approved by Airports Commission Resolution No. 73-0066 adopted March 20, 1973, and authorized by Board of Supervisors Resolution No. 313-73 adopted May 7, 1973, all as recorded in the official Records of San Mateo County on June 29, 1973, in Volume 6421 at Page 345; which lease by reference is made a part hereof; and

WHEREAS, pursuant to the request of the State of California, acting by and through its Department of Transportation's Division of Highways, the Airports Commission by Resolution No. 73-0069, adopted March 20, 1973, authorized execution of a Land Use Permit which allowed the State of California access to certain parcels of land, including a 0.89 acre portion of Parcel 2 which it proposed to condemn, said Permit to be subject to any rights of tenants in possession and to commence on a date to be subsequently determined; and

WHEREAS, Summons and Complaint in Eminent Domain, Action No. 75531, was filed by the People of the State of California, as Plaintiff, against City as Defendant, in San Mateo Superior Court on May 7, 1973,

and served upon the City on June 7, 1973, condemning property under the jurisdiction of the Airports Commission and including the property described in the aforesaid Land Use Permit, for interstate highway purposes; and

WHEREAS, on October 2, 1974, an Order for Possession, effective November 4, 1974, was issued by the San Mateo Superior Court and served upon City October 8, 1976; and

WHEREAS, City wishes to compensate the airline for loss of peaceful possession of said 0.89 acre portion of Parcel 2 and for the unamortized value of its improvements therein as of June 13, 1973, the effective date of the Land Use Permit; and

WHEREAS, City wishes to adjust the annual rent payable under the terms of the aforementioned lease to reflect the loss of use to Lessee of the 0.89 acre portion of Parcel 2 to a proportionately lesser rental in accordance with the terms of the aforementioned lease; and

WHEREAS, Lessee is agreeable to this modification of lease on the terms and conditions hereinafter set forth;

NOW, THEREFORE, the parties hereto agree as follows:

FIRST: Effective June 13, 1973, Lessee by these presents does grant, give, release, relinquish and surrender to City, subject to access rights of record and those vested in the State of California by virtue of the Land Use Permit previously referred to, all of Lessee's rights, title, interest, term of years, property, claim and demand whatsoever of it in, to or out of the following described portion of the premises demised to it by City under the Maintenance Base Lease approved March 20, 1973, and dated June 18, 1973, together with all structures and improvements of any kind and description located therein;

NORTHWEST PORTION OF PARCEL 2 AREA

RELINQUISHED BY UNITED AIRLINES

Commencing at the intersection of the centerline of the Bayshore Freeway and San Bruno Avenue, which point of intersection is California Highway Commission Station "F" line 325+29.23 P.O.T. and California Highway Commission Station "S" Line 17+40.80 P.O.T., Route 68, Station

F, District IV, as shown on Sheet 8 of 62 sheets entitled "Plan and Profile of State Highway in San Mateo County, between Colma Creek in South San Francisco and Broadway in Burlingame"; thence along said centerline of San Bruno Avenue North 65 deg. 42' 14" East 953.24 feet to a point on the easterly right-of-way line of the Bayshore Freeway, said point being distant along said right of way line South 24 deg. 17' 46" East 52 feet from a California Highway Commission concrete monument; thence continuing along centerline of San Bruno Avenue North 65 deg. 42' 14" East 595.80 feet; thence North 24 deg. 17' 46" West 45.00 feet; thence continuing along the westerly lease line of Parcel 2 North 24 deg. 17' 46" West 45.00 feet; thence South 65 deg. 42' 14" West 127.00 feet; thence along a curve to the right, tangent to the preceding course, radius 35.00 feet, central angle of 90 degrees, an arc distance of 54.98 feet; thence North 24 deg. 17' 46" West 1175.95 feet; thence North 25 deg. 28' 16" West 388.04 feet to the True Point of Beginning of this Description; thence North 25 deg. 28' 16" West 173.57 feet; thence North 64 deg. 31' 44" East 330.01 feet; thence South 25 deg. 28' 16" East 60.87 feet; thence South 45 deg. 40' 23" West 348.74 feet to the True Point of Beginning, containing therein 0.89 of an acre, more or less. All of which land is identified by Airport Drawing No. CA-14291, dated April 19, 1976, attached hereto, marked Exhibit "A" and made a part hereof.

SECOND: It is understood and agreed by the parties hereto that in accordance with the foregoing relinquishment, the legal description of the remaining portion of the demised premises known as "Parcel 2 - Revised" shall be as follows:

UNITED AIRLINES MAINTENANCE BASE

PARCEL 2 - REVISED

Commencing at the section corner common to Sections 27, 28, 33, 34, Township 3 South, Range 5 West, M.D.B.&M., thence along the section line common to Sections 27 and 34 East 1,343.44 feet; thence North 600.98 feet to the True Point of Beginning of this Description; said point lying in the Southeasterly line of that parcel of land described as Parcel 1A in the Complaint in Eminent Domain, No. 175581, State of California, Plaintiff, v. City and County of San Francisco, et al,

Defendants, filed in the Superior Court of California for the County of San Mateo; thence along said southeasterly line of said Parcel 1A North 45 deg. 40' 23" East 348.74 feet to a point on the southwesterly right-of-way line of the original Bayshore Highway, the portion of said right-of-way within Tide Land Lot No. 28, Section 27, T. 3 S., R. 5 W., M.D.B.&M., being described in that deed from South San Francisco Land and Improvement Company to the State of California dated October 11, 1926, and recorded December 2, 1926, in Book 267, Official Records of San Mateo County, at page 348, and that portion of said right-of-way within Section 34 northeasterly of San Bruno Avenue being as described in that Easement from Mills Estate, Inc., to the State of California dated October 23, 1924, and recorded August 8, 1925, in Book 180, Official Records of San Mateo County, at page 149; thence along said right-of-way line South 25 deg. 28' 16" East 907.31 feet; thence continuing southeasterly along said right-of-way line on a curve to the right, tangent to the preceding course, radius 9,937.50 feet, central angle of 2 deg. 14', an arc distance of 387.35 feet; thence continuing along said right-of-way line South 23 deg. 14' 16" East 468.98 feet to a point which is distant 45.00 feet and bears North 24 deg. 17' 46" West from the centerline of San Bruno Avenue; thence southwesterly parallel to and 45.00 feet from said centerline of San Bruno Avenue South 65 deg. 42' 14" West 168.00 feet; thence North 24 deg. 17' 46" West 45.00 feet; thence South 65 deg. 42' 14" West 127.00 feet; thence along a curve to the right, tangent to the preceding course, radius 35.00 feet, central angle of 90 deg., an arc distance of 54.98 feet; thence North 24 deg. 17' 46" West 1175.95 feet; thence North 25 deg. 28' 16" West 388.04 feet to the True Point of Beginning, containing therein 12.90 acres, more or less;

Excepting therefrom a ten-foot strip of land for utility purposes, containing an area of 0.21 acres, more or less.

All of which "Parcel 2 - Revised" together with the aforesaid 0.21 acre land reservation are identified on Airport Drawing CA-14292 dated April 19, 1976, marked Exhibit "B", attached hereto and made a part hereof.

THIRD: It is understood and agreed by the parties hereto that the demised premises shall continue at the same per acre rental rate as hereinabove provided in the lease dated June 18, 1973, provided, however, that the annual rental under said lease shall be reduced by \$ 3,871.50 to a revised annual rental of \$ 557,365.50 for the remainder of the first ten (10) year period ending June 30, 1983, to reflect the reduced acreage in the leasehold.

FOURTH: City hereby agrees that Lessee shall receive rent credit in the sum of \$26,266.12 as just and full compensation for its surrender to City of said 0.89 acre portion of Parcel 2 as well as the sum of \$9,370.37 for its unamortized improvements thereon and tax and rental overpayment, said sums totalling \$35,636.49 in rent credits to Lessee.

FIFTH: Except as herein expressly provided, all terms, conditions and covenants agreed to be kept and observed by the parties hereto, or either of them, contained in the 1973 lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this modification of lease to be signed in quadruplicate by their respective authorized officers, the day and year first hereinabove written.

APPROVED AS TO FORM:

GEORGE AGNOST,
City Attorney

By Donald J. Garibaldi
Donald J. Garibaldi
Airports General Counsel

By Peter Singer
J. Peter Singer
Deputy Director of Airports
Business and Finance

Authorized by Airports Commission
Resolution No. 80-0066
Adopted: MAR 18 1980

Attest: Eric Craven
By: Eric Craven
Eric Craven, Secretary

CITY AND COUNTY OF SAN FRANCISCO
AIRPORTS COMMISSION

By Richard R. Heath
Richard R. Heath
Director of Airports

UNITED AIR LINES, INC.

By [Signature]
Title [Signature]

RG 3/17/80 408 [Signature]	

SAN FRANCISCO INTERNATIONAL AIRPORT

MODIFICATION NUMBER TWO OF LEASE AGREEMENT

UNITED
CONTRACT

27000 - 2

THIS MODIFICATION OF LEASE, made and entered into this 2nd day of May 1994, by and between the City and County of San Francisco, acting by and through its Airports Commission, as Lessor (hereinafter called "City"), and United Air Lines, Inc., a corporation, as Lessee.

WITNESSETH

WHEREAS, United Air Lines, Inc. (hereinafter called "Lessee") is the Lessee under a Lease from the City, as Lessor, dated June 18, 1973 and effective July 1, 1973, authorized by Airports Commission Resolution No. 73-0066 and Board of Supervisors Resolution No. 31-373, as amended by Airports Commission Resolution No. 80-0066, which Lease relates to the use and occupancy by Lessee of certain property commonly known as the Maintenance Operation Center (MOC) located on Parcels 1 and 2 ("Premises") located at the San Francisco International Airport, and which is by reference made a part hereof ("Lease"); and

WHEREAS, City and Lessee have entered into an Agreement for use of Airport controlled Parking Facilities dated October 18, 1994 ("Parking Facilities Agreement") pursuant to which the City granted Lessee certain rights to use various Parking Facilities at the Airport in exchange for Lessee's agreement to relinquish its right to certain areas of the Lease; and

WHEREAS, City now desires Lessee to release, relinquish and surrender to City a portion of the aforesaid demised Premises consisting of 5.34 acres, more or less, of the West Lot of MOC property, identified as Plot 16A, on which the City will construct a multi-story parking structure ("Garage"); and

WHEREAS, City now further desires Lessee to release, relinquish and surrender to City a portion of the aforesaid demised Premises consisting of .21 acres, more or less, which the City will use for the widening of the North Access Road; and

WHEREAS, City and Lessee desire to add that parcel of land commonly known as Plot 52 consisting of 7.17 acres, more or less, into the leased premises; and

WHEREAS, in consideration of the Parking Facilities Agreement and other covenants contained herein, Lessee is agreeable to modification of the Lease on the terms and conditions hereinafter set forth;

NOW, therefore, the parties hereto hereby agree as follows:

1. Effective August 15, 1994, subject to the terms and conditions of the Parking Facilities Agreement between City and Lessee dated October 18, 1994, attached hereto, marked Attachment "I" and made a part hereof, Lessee does hereby grant, give, release, relinquish and surrender to City, all of Lessee's right, title interest, term of years, property, claim and demand whatsoever in, to or out of the following described portion of the Premises demised to it by City under the Lease containing 5.34 acres more or less, together with all structures and improvements of any kind and description located thereupon, and described more particularly as follows:

Commencing at the intersection of the center lines of the Bayshore Freeway and San Bruno Avenue, which point of intersection is California Highway Commission Station "F" Line 325+29.23 P.O.T. and California Highway Commission Station "S" Line 17+40.80 P.O.T., Route 68, Section F, District IV, as shown on sheet 8 of 62 sheets entitled "Plan and Profile of State Highway in San Mateo County, between Colma Creek in South San Francisco and Broadway in Burlingame"; thence along said center line of San Bruno Avenue North 65° 42' 14" East 1549.04 feet; thence North 24° 17' 45" West 90.00 feet; thence South 65° 42' 14" West 127.00 feet; thence along a curve to the right, tangent to the preceding course, a radius of 35.00 feet, a central angle of 90°, an arc length of 54.98 feet; thence North 24° 17' 46" West 953.38 feet to the true point of beginning of this description; thence South 65° 42' 14" West 30.00 feet; thence North 25° 28' 16" West 598.15 feet; thence North 45° 46' 23" East 385.26 feet to a point on the Southwesterly right of way line of the original Bayshore Highway, the portion of said right of way within Tide Land Lot No. 28, Section 27, T.3S., R.5W., MDB&M, being described in that deed from South San Francisco Land and Improvement Company to the State of California dated October 11, 1926, and recorded December 2, 1926 in Book 267, Official Records of San Mateo County at Page 348, and that portion of said right of way within Section 34 Northeasterly of San Bruno Avenue being as described in that easement from Mills Estate Inc., to the State of California dated October 23, 1924 and recorded August 8, 1925 in Book 180, Official Records of San Mateo County, at Page 149; thence along said right of way line South 25° 28' 16" East 730.13 feet; thence South 65° 42' 14" West to the point of beginning of this description containing 5.34 acres more or less.

Excepting therefrom a 35 foot strip of land as a slope easement containing 0.03 acres more or less, all of which land and access reservation, designated as Plot 16A, is identified by Airport Drawing No. CA-20695, dated July 21, 1993, attached hereto, marked Exhibit "A" and made a part hereof.

2. Effective May 1, 199~~4~~⁵, the demised Premises are amended to add that parcel of land commonly known as Plot 52 as indicated by Airport Drawing No. CA-20932, dated June, 1994, attached hereto, marked Exhibit "B" and described more particularly as follows:

Commencing at the point called Corner of Plot 52 as described in Parcel 1 is the True Point of Beginning; thence West 706.47 feet; thence South 23° 14' 16" East 430.32 feet; thence 79° 26' 25" East 120.34 feet; thence South 23° 14' 16" East 298.96 feet; thence North 70° 32' 08" East 207.31 feet; thence North 272.73 feet; thence East 104.97 feet; thence North 350.36 feet to the True Point of Beginning of this description containing 7.17 acres more or less.

All of which land and access reservation is identified by Airport Drawing CA-13799, revision 4, attached hereto, marked Exhibit "B" and made a part hereof.

3. Effective August 15, 1994, Lessee does hereby grant, give, release, relinquish and surrender to City, all of Lessee's right, title interest, term of years, property, claim and demand whatsoever in, to or out of .21 acres more or less of Parcel 1 along the south side of the North Access Road, all of which land and access reservation is identified by Airport Drawing CA-20934, Contract No. 3291, dated May, 1994, attached hereto, marked Exhibit "C" and made a part hereof. After said relinquishment of the .21 acres more or less, the description of Parcel 1 is modified as indicated on Airport Drawing No. CA-20931, dated May, 1994, attached hereto, marked Exhibit "D" and

described more particularly as follows:

Commencing at the section corner common to sections 27, 28, 33 and 34, T.3S, R.5W, MDB & M; thence along the section line common to sections 27 and 34 East 1679.58 feet; thence North 953.36 to a point in the Southwesterly property of property owned by the City and County of San Francisco at San Francisco International Airport, said point being the intersection of a line parallel to and distant 953.36 feet at right angles North from the section line between said sections 27 and 34, which section line bears due East and West, and a line parallel to and distant 62.50 feet measured at right angles Northeasterly from the centerline of the original Bayshore Highway as relinquished by the State of California to the City of South San Francisco by instrument dated January 27, 1948, and recorded February 10, 1948, Volume 1450 Official Records of San Mateo County, at page 190, said point being the true point of beginning of this description; thence North $64^{\circ}31'44''$ East 154.96 feet; thence East 682.24 feet; thence North $68^{\circ}34'09''$ East 284.25 feet; thence North $68^{\circ}34'01''$ East 50.55 feet; thence North $64^{\circ}57'44''$ East 25.00 feet; thence along the arc of a circular curve to the right tangent to the preceding course having a radius of 595.00 feet, central angle of $26^{\circ}42'49''$ and an arc length of 277.41 feet; thence South $88^{\circ}19'27''$ East 208.57 feet; thence along the arc of a circular curve to the right tangent to the preceding course having a radius of 138.87 feet, a central angle of $38^{\circ}21'06''$ and an arc length of 92.95 feet; thence East 987.70 feet; thence along the arc of a circular curve to the right, tangent to the preceding course having a radius of 50 feet, and a central angle of $82^{\circ}34'30''$ and an arc length of 72.06 feet; thence South $7^{\circ}25'30''$ East 233.51 feet; thence along the arc of circular curve to the right tangent to the preceding course having a radius of 980.00 feet, a central angle of $7^{\circ}25'30''$ and an arc length of 127.00 feet; thence South 432.81 feet to a corner of Plot 52; thence West 706.47 feet; thence South $23^{\circ}14'16''$ East 430.32 feet; thence South $79^{\circ}26'25''$ East 120.34 feet; thence South $23^{\circ}14'16''$ East 298.96 feet; thence along the arc of a circular curve to the left, the center of said curve being South $27^{\circ}57'25''$ East 365.00 feet from the end of the preceding course, said curve having a radius of 365.00 feet, central angles of $85^{\circ}16'51''$ and an arc length of 543.28 feet; thence South $23^{\circ}14'16''$ East 318.66 feet; thence South $66^{\circ}45'44''$ West 1217.53 feet; thence North $62^{\circ}09'55''$ West 334.22 feet; thence along a line parallel to and distant 30.00 feet Northeasterly measured at right angles from the centerline of the former Bayshore Highway as described in that deed from Mills Estate Incorporated, a corporation, to the State of California, recorded August 8, 1925 in volumes 180, page 149, Official Records of San Mateo County, North $23^{\circ}14'16''$ West 1250.93 feet; thence along the arc of a circular curve to the left, said curve being distant 30.00 feet Northeasterly measures radially from the centerline of said former Bayshore Highway, tangent to the preceding course, having a radius of 10,030.00 feet, a central angle of $1^{\circ}49'15''$ and arc length of 318.75 feet to a point on the section line common to sections 27 and 34, T.3S, R.5W, MDB&M; thence along said section line East 35.86 feet; thence along the arc of a circular curve to the left, said curve being distant radially 62.50 feet Northeasterly from the centerline of said former Bayshore Highway, the center of said curve being South $65^{\circ}01'40''$ West 10,062.50 feet from the end of the preceding course and said curve having a radius of 10,062.50 feet, a central angle of $0^{\circ}29'56''$ and an arc length of 87.62 feet; thence North $25^{\circ}28'16''$ West 968.18 feet to the true point of beginning containing 115.05 acres, more or less.

4. It is understood and agreed by the parties hereto that as a result of the foregoing relinquishment and addition, the legal description of the remaining portion of the demised Premises shall remain the same as described in the Lease with respect to the perimeter meets and bounds as modified by the absence

of the portions which have been relinquished and the addition of Plot 52 and will comprise 129.75 acres, more or less.

5. It is understood and agreed by the parties hereto that the City, at its sole cost, will remove all pre-existing hazardous materials and remediate all soil contamination from Plot 52, in accordance with environmental law, and the Lessee shall be under no obligation to pay land rent for the Plot 52 premises until such time as Lessee can gain beneficial occupancy of this property.
6. It is understood and agreed by the parties hereto that upon completion, the City will provide Lessee with approximately 931 ± employee parking spaces in the Garage or a number equal to those being displaced as a result of the relinquishment of approximately 5.34 ± acres by Lessee and those being displaced by the relocation of the West Lot entrance for the term of the Lease. Rental for the 931 ± employee parking spaces in the Garage, equal to 5.34 acres, more or less, shall be at the same rate per acre as that in effect for an equivalent 5.34 ± acres in the Lease.
7. It is understood and agreed by the parties hereto that the City will provide Lessee with 600 additional employee parking spaces in the Garage during the term of the Lease. Said rental rate for the additional 600 employee parking spaces shall be in accordance with the per space rental rate established by the Airports Commission for the Employee Parking Sub-Cost Center.
8. In addition to the 1,531 ± spaces referred to in 5 and 6 above, it is understood and agreed by the parties hereto that the City will provide Lessee with the option to rent up to 600 additional spaces in the Garage for a period of two years upon written notice from Lessee not later than 60 days prior to the opening of the Garage. Said rental rate for the additional employee parking spaces shall be in accordance with the per space rental rate established by the Airport's Commission for the Employee Parking Sub-Cost Center.
9. It is understood and agreed to by the parties hereto that at any time during the Term of the Lease, upon no later than 60 days written notice, Lessee may relinquish use of any or all of the 1,531 ± employee parking spaces in the Garage, or any of the additional employee parking spaces that Lessee has been assigned. Upon relinquishment of any assigned employee parking spaces in the Garage, Lessee recognizes that it shall have no further priority rights to these spaces and City, at its discretion, shall rent them to other tenants.
10. Rental for the leased Premises, as modified herein, shall be at the rate per acre currently in effect pursuant to the Lease.
11. Except as herein expressly provided, all terms, conditions and covenants agreed to be kept and observed by the parties hereto, or either of them, contained in the Lease, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Modification of Lease in triplicate by their duly authorized officers, the day and year hereunder written.

LESSOR

City and County of San Francisco,
a municipal corporation

AIRPORTS COMMISSION

By: [Signature]
L. A. Turpen, John L. Martin
Director of Airports

APPROVED AS TO FORM:

LOUISE H. RENNE
CITY ATTORNEY

By: [Signature]
Mara Rosales
Airports General Counsel

AUTHORIZED BY AIRPORTS COMMISSION

RESOLUTION NO. 92-0005-94-0139

ADOPTED: June 21, 1994

ATTEST: [Signature]
Secretary, Airports Commission

LESSEE

UNITED AIRLINES, INC.

By: _____ (seal)

By: [Signature]
LARRY D. CLARK
VICE PRESIDENT
PROPERTIES & FACILITIES

This Lease Modification shall be accompanied by the corporate seal affixed hereto, with signatures acknowledged by a Notary Public.

BR:sm/gc
X:\T\main\Airlines\Lease\UAL\Lease.Mod
Revision #4 6-10-94

ATTACHMENT "I"

SAN FRANCISCO INTERNATIONAL AIRPORT / UNITED AIR LINES, INC. AGREEMENT FOR USE OF AIRPORT CONTROLLED PARKING FACILITIES

As San Francisco International Airport (the "Airport") moves forward with the Master Plan Construction Program ("Program"), the Airport recognizes that several areas currently dedicated for tenant employee parking will be displaced. United Air Lines, Inc. ("United"), as a result of the Program, will lose employee parking spaces on Plots 4, 5, 1H and 1J ("Displaced Lots"). To that end, the Airport agrees to make available, and United accepts, interim and long-term employee parking spaces to offset those United Employee parking spaces being displaced in the aforementioned areas.

Further, the Airport has requested and United has agreed, to relinquish a portion of its leasehold rights and interest in and to certain additional employee parking spaces located at the Airport in order for the Airport to construct a multi-level parking structure ("Garage"). The land to be relinquished consists of approximately 5.34 ± acres of land and forms a part of United's Maintenance Operation Center ("MOC") property located at the Airport and leased to United pursuant to a Lease dated June 8, 1973, and authorized by Airports Commission Resolution No. 73-0066 ("MOC Lease"), as modified by Airports Commission Resolution No. 80-0066.

In consideration for said relinquishment and relocation from the Displaced Lots, and as an inducement for United's entering into Modification Number Two of MOC Lease dated 1994 pursuant to which United relinquishes its leasehold rights in and to the 5.34 ± acres, redesignated as Plot 16A, under the MOC Lease, the Airport agrees to provide United with alternate employee parking to replace the spaces being displaced due to the construction of the Garage and relocation of the entrance to the Maintenance Operations Center ("MOC") West Lot and, upon completion of said construction, for the remaining term of the MOC Lease under the terms and conditions described below:

1. The Airport will make available to United approximately 6.38 acres (957 vehicle parking spaces) on Plot 50A (Exhibit 1) to accommodate those vehicle parking spaces being displaced as a result of United's relinquishment of 5.34 acres of the West Lot of MOC property for the construction of a parking garage by the Airport. United will have use of the aforementioned area until United's occupancy of its assigned spaces in the Garage to be located on Plot 16A (Exhibit 2). United will pay rent to the Airport in accordance with the per acreage rate currently in effect for the MOC property. Upon the completion and opening of the Garage, any spaces on Plot 50A that may be permitted for United's continued use will be based on the per space rental rate established by the Airports Commission for the Employee Parking Sub-Cost Center.
2. Upon completion of the Garage, the Airport will make available to United 1,531 parking spaces on the ground and lowest levels to accommodate employee parking spaces being displaced from the West Lot of MOC property and other areas as a result of the Program. The rent for 931± spaces, approximately 5.34 acres, will be equal to the per rental rate, pursuant to the terms of the MOC Lease, of an equivalent 5.34 ± acres charged at the per acre rental rate in effect for the MOC property. The rent for the remaining 600 spaces will

be in accordance with the per space rental rate established by the Airports Commission for the Employee Parking Sub-Cost Center. The 1,531 spaces will be made available for United's use until June 30, 2013 and such usage rights will be incorporated into Modification No. 2 of Lease 73-0066 for the MOC property.

3. In addition to the 1,531 ± parking spaces referred to in 1 and 2 above, upon written notification to Airport by United not-later-than 60 days prior to the scheduled opening of the Garage, the Airport will make available to United up to 600 additional spaces in the Garage for a period of two years. The rental rate for each additional space will be in accordance with the per space rental rate established by the Airport's Commission for the Employee Parking Sub-Cost Center.
4. United agrees that the 1,531 spaces being offered for the term of the MOC Lease plus any additional spaces that may be made available are to be used exclusively by United employees working in the following areas at the Airport:
 - (a) passenger service and ramp operations;
 - (b) air freight operations;
 - (c) aircraft maintenance and servicing (including those working in the MOC);
 - (d) local support and administration;
 - (e) flight attendants and flight crews;
 - (f) such other personnel categories as may be approved by the Director in accordance with applicable federal tax law relating to tax-exempt bonds.
5. At any time during the Term of the MOC Lease, upon not less than 60 day written notice, United may relinquish use of any or all of the 1,531 ± employee parking spaces in the Garage, or any of the additional employee parking spaces that United has been assigned in the Garage. United agrees, upon said relinquishment, that United shall have no further priority rights to the relinquished spaces.
6. The Airport will permit United's continued use of the Plot 1H and Plot 1J employee parking areas until required by the Airport according to the Master Plan Construction Schedule currently estimated to be available until June 30, 1998. After December 31, 1994, the rental rate for each employee parking space on Plot 1H and Plot 1J will be in accordance with the per space rental rate established by the Airports Commission for the Employee Parking Sub-Cost Center.

This Agreement is intended to memorialize the terms and conditions contained herein, and to reflect the good faith commitment of the signatories hereto to recommend, endorse and take all actions necessary, including the execution of all required contractual documentation, and the issuance of required approvals to implement this Agreement.

It is understood and agreed that the parties to this Agreement require further approvals by United senior management and, for the City, by the Airports Commission and the Board of Supervisors, where required, before the terms and conditions encompassed herein will be binding and before the necessary comprehensive documents can be formalized, executed and implemented.

United Air Lines, Inc.

City and County of San Francisco

By: _____
J. Richard Street
Vice President
Airport Affairs

By: _____
Louis A. Turpen
Director of Airports

Date: _____

Date: _____

SCALE

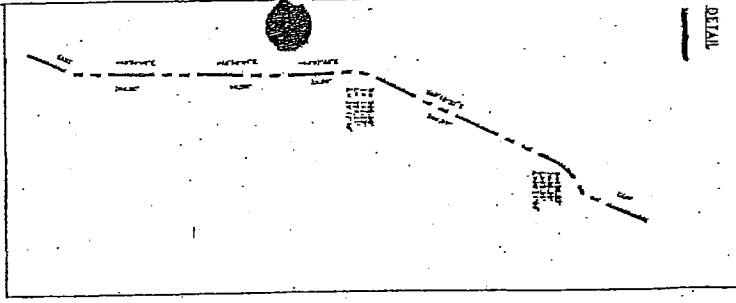
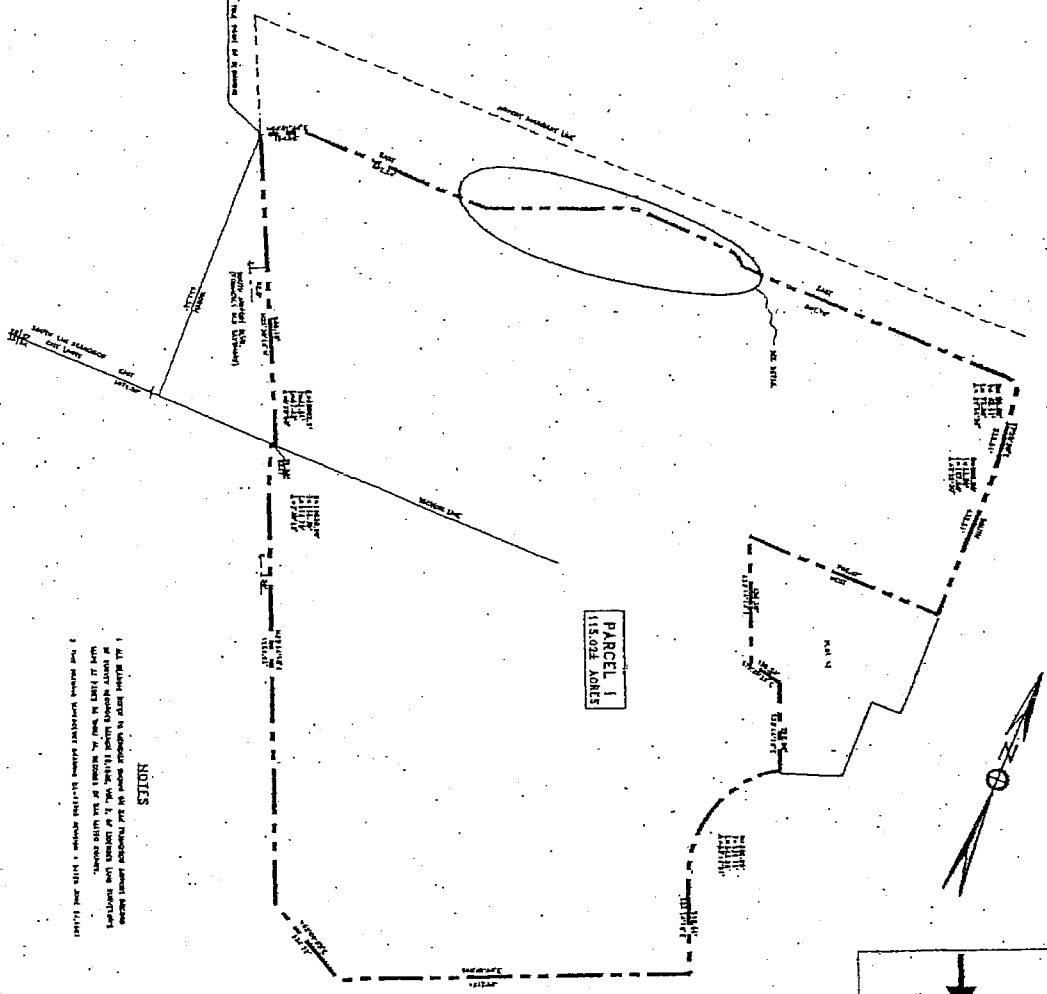
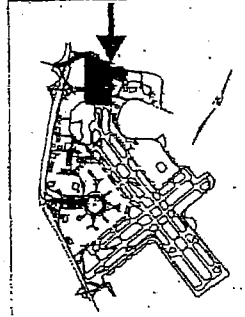


EXHIBIT "D"



NOTES

1. All dimensions shown are approximate and subject to change without notice.
2. All dimensions shown are approximate and subject to change without notice.
3. All dimensions shown are approximate and subject to change without notice.



CITY AND COUNTY OF SAN FRANCISCO
 SAN FRANCISCO INTERNATIONAL AIRPORT

LEASE PLAN

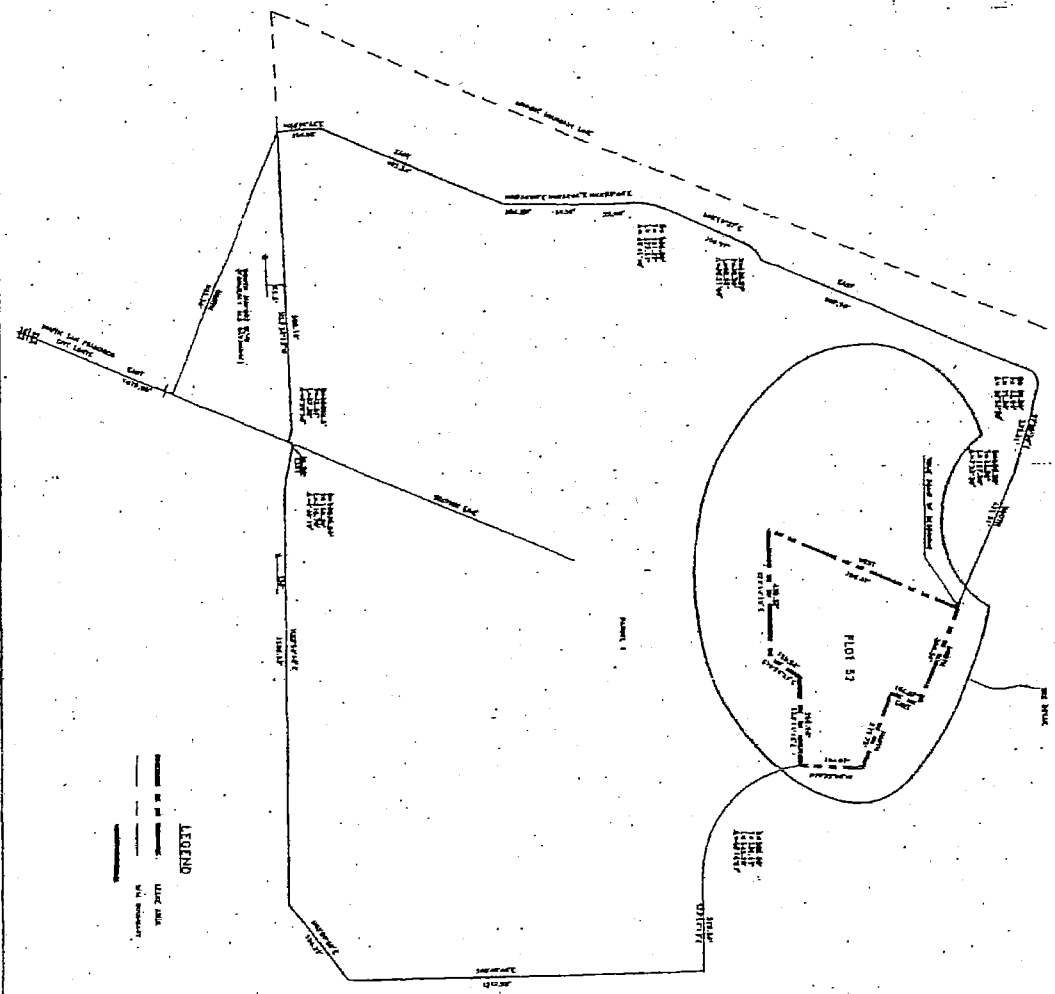
PARCEL 1

DATE	FILE NO.	DATE	FILE NO.
10/1/81	100000000	10/1/81	100000000

CA-20831

SHEET 1 OF 1 SHEETS

EXHIBIT "B"

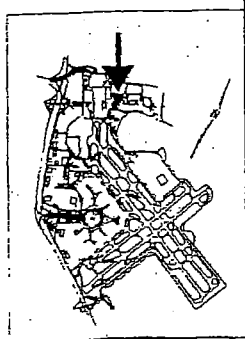
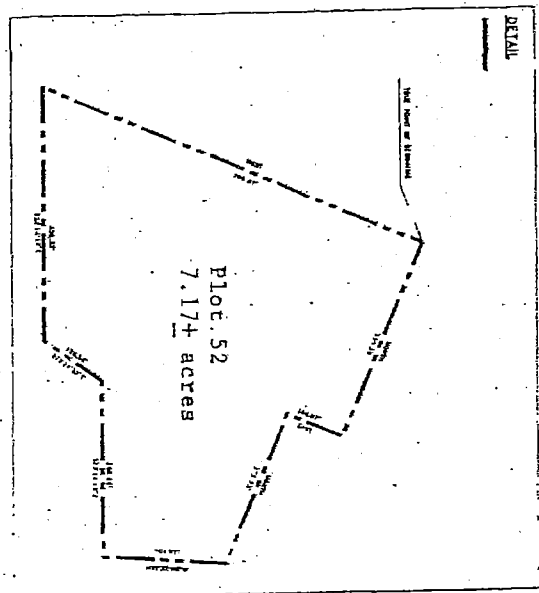


LEGEND

- LINE AND
- NOT INDICATED

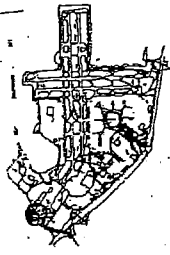
NOTES

1. All building levels to be established by the Planning Commission and shall be subject to the State Public Works Commission.
2. The proposed building shall be 1-1/2 stories high.

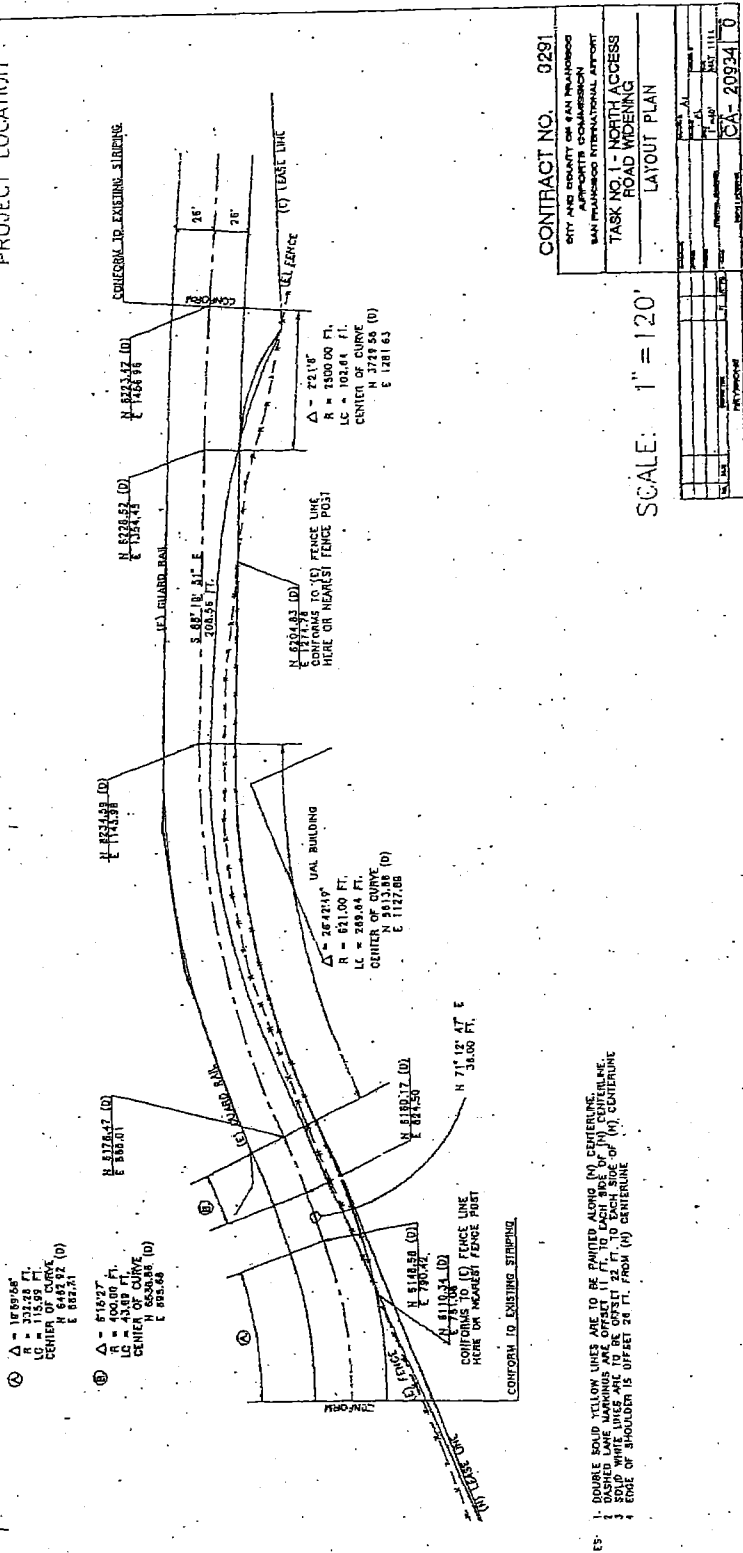
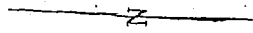


CITY AND COUNTY OF SAN FRANCISCO	
ADMINISTRATIVE COMMISSION	
SAN FRANCISCO INTERNATIONAL AIRPORT	
LEASE PLAN	
PLOT 52	
DATE	1958
BY	AL BROWN
FOR	AL BROWN
PROJECT	CA-20932
SHEET	1 OF 1 SHEETS

EXHIBIT "C"



PROJECT LOCATION



CONTRACT NO. 9291

CITY AND COUNTY OF SAN FRANCISCO
 PUBLIC WORKS DEPARTMENT
 SAN FRANCISCO INTERNATIONAL AIRPORT

TASK NO. 1 - NORTH ACCESS ROAD WIDENING

LAYOUT PLAN

DATE	BY	CHECKED	APPROVED

INCLUDES: CA-20934-0

SHEET C-2 OF 6 SHEETS

SCALE: 1" = 120'

- NOTES:
- 1. CURVE SOLID YELLOW LINES ARE TO BE PAINTED ALONG (M) CENTERLINE.
 - 2. DASHED LANE MARKINGS ARE OFFSET 11 FT. TO EACH SIDE OF (M) CENTERLINE.
 - 3. SOLID WHITE LINES ARE TO BE OFFSET 20 FT. FROM (M) CENTERLINE.
 - 4. EDGE OF SHOULDER IS OFFSET 24 FT. FROM (M) CENTERLINE.

Revised 1987 by the City and County of San Francisco. These specifications, when approved, represent the City and County of San Francisco and its agencies. They are not to be construed as a contract. The City and County of San Francisco shall not be liable for any errors or omissions in these specifications. The City and County of San Francisco shall not be liable for any damages, including consequential damages, arising from the use of these specifications. The City and County of San Francisco shall not be liable for any damages, including consequential damages, arising from the use of these specifications.

**UNITED
CONTRACT
27000-3**

MODIFICATION NUMBER THREE OF LEASE

THIS MODIFICATION NUMBER THREE OF LEASE (this "Modification"), made and entered into this 29th day of June, 2001, by and between the City and County of San Francisco, acting by and through its Airport Commission, as lessor ("City"), and United Airlines, Inc. a Delaware corporation, as lessee ("Lessee").

RECITALS

- A. Lessee and City are parties to that certain Lease No. 73-0066 dated June 18, 1973, authorized by Airport Commission Resolution No. 73-0066 and Board of Supervisors Resolution No. 31-373, as amended by certain modifications authorized by Airport Commission Resolutions No. 80-0066 and No. 94-0139 (as modified, the "Lease"). The Lease relates to Lessee's use and occupancy of certain property commonly known as the Maintenance Operation Center ("MOC") located on Parcels 1 and 2 (the "Premises") located at San Francisco International Airport as described in Exhibits A, B, C and D to Modification Number Two of Lease Agreement.
- B. Lessee and City are parties to that certain Space or Use Permit No. 580, dated July 1, 1980 ("Permit 580"), permitting to Lessee approximately 7,290 square feet of land adjacent to the Premises (the "Access Space"), for an additional exit from the employee parking lot onto San Bruno Avenue. City and Lessee now desire to incorporate the Access Space into the Premises.
- C. City is developing a Multi-Modal Center which includes among other things, expansion of Lot DD surface parking adjacent to the Premises and the extension of the AirTrain to the Multi-Modal Center and Lot DD. Such Multi-Modal Center development and Lot DD expansion requires that City acquire common access through the Premises. Lessee has agreed to relinquish a portion of the Premises comprising approximately 0.74 acres of Parcel 2 (the "Relinquished Space") for such common access, subject to receiving, as a modification to the Premises, additional space to replace the Relinquished Space (the "Replacement Premises").
- D. Pursuant to Space or Use Permit No. 3452 ("Permit 3452"), dated October 1, 2000, Lessee temporarily occupies certain space in the approximate location and configuration of the Replacement Premises, consisting of approximately 2.61 acres of improved land as described on Exhibit A to Permit 3452, a copy of which description is attached hereto as Attachment 1 to this Modification.

In consideration of the covenants contained herein, City and Lessee hereby agree as follows:

1. The Effective Date of this Modification is December 1, 2000.

2. As of the Effective Date, that portion of the Premises comprising Parcel 2, Lot 16B is hereby revised as follows:
 - (a) Lessee does hereby grant, give, release, relinquish and surrender to City, all of Lessee's right, title, interest, term of years, property, claim and demand whatsoever in, to or out of the Relinquished Space; and
 - (b) City does hereby lease to Lessee and Lessee leases from City, as part of the Premises, the Access Space. As of the Effective Date, Permit 580 shall be deemed terminated.

The Premises, as modified pursuant to the foregoing, is more specifically described on Airport Drawing CA-20696 dated November 30, 2000 and the appurtenant legal description all attached hereto and incorporated herein as Exhibit A. From and after the Effective Date, the term "Premises" as used in the Lease and herein shall mean the Premises as modified pursuant to the foregoing.

3. Rental for the Premises shall be at the rate per acre in effect pursuant to the Lease on the Effective Date, as such rent per acre may be adjusted from time to time pursuant to the terms of the Lease.
4. City and Lessee acknowledge and agree that at such time as the Multi-Modal Center and AirTrain Extension are completely designed and constructed, the Premises shall be expanded to include the Replacement Premises in its final configuration and dimensions as determined at that time. After verification by the Airport Director and Lessee of such dimensions and configuration, the Premises shall be expanded to include the Replacement Premises by revision of Exhibit A without the requirement of formal amendment to the Lease or the approval of any party other than the Airport Director and the Lessee as to the dimensions and configuration of such space. Permit 3452 shall be deemed terminated as of the effective date of such expansion. Rental for the Premises after such expansion shall be at the rate per acre then in effect pursuant to this Lease, as such rent per acre may be adjusted from time to time pursuant to the terms of the Lease. From and after the effective date of such expansion, the term "Premises" as used in the Lease and herein shall mean the Premises as modified pursuant to the revision of Exhibit A.
5. Sections 41 through 51 ADDITIONAL TERMS. The following provisions shall be added to the Lease:
 41. Tropical Hardwoods and Virgin Redwoods. The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product, any virgin redwood, or any virgin redwood product.

42. Non-Discrimination in City Contracts and Benefits Ordinance. Lessee shall comply with the provisions set forth on *Appendix I*, which are hereby incorporated herein by reference.
43. Conflict of Interest. Lessee states that it is familiar with the provisions of City's Charter Section C8.105, and Section 87100 et seq. of the Government Code of the State of California and certifies that it knows of no facts in connection with this Lease which constitute a violation of said sections. It further certifies that it will make a complete disclosure to Director, if necessary, of all facts within its reasonable knowledge bearing upon any possible interest, direct or indirect, which it believes a member of Commission or other officer or employee of City presently has or will have in this Lease or in its performance. Willful failure of Lessee to make such disclosure, if any, to Commission, shall constitute grounds for termination of this Lease.
44. Drug-Free Workplace. Lessee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, possession or use of a controlled substance is prohibited on City premises. Any violation of this prohibition by Lessee shall constitute a default hereunder.
45. Compliance with Americans With Disabilities Act. Lessee acknowledges that, pursuant to the ADA, programs, services and other activities provided by a public entity, whether directly or through a Lessee, must be accessible to the disabled public. Lessee shall provide the services specified in this Lease in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights-legislation. Lessee agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Lease and further agrees that any violation of this prohibition on the part of Lessee, its employees, agents or assigns shall constitute a material breach of this Lease.
46. Pesticide Prohibition. Lessee shall comply with the provisions of Section 39.9 of the San Francisco Administrative Code (the "Pesticide Ordinance") which (i) prohibit the use of certain pesticides on City property, (ii) require the posting of certain notices and the maintenance of certain records regarding pesticide usage, and (iii) require Lessee to submit to Director an integrated pest management ("IPM") plan that (a) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Lessee may need to apply to the Premises during the term of this Lease, (b) describes the steps Lessee will take to meet the City's IPM Policy described in Section 39.1 of the Pesticide Ordinance, and (c) identifies, by name, title, address, and telephone number, an individual to act as the Lessee's primary IPM contact person with the City. In addition, Lessee shall comply with the requirements of Sections 39.4(a) and 39.4(b) of the Pesticide Ordinance as of January 1, 1999, and January 1, 2000, respectively. Nothing herein shall prevent Lessee, through Director, from seeking a determination from the Commission on the Environment that it is exempt from complying with certain provisions of the Pesticide Ordinance as provided in Section 39.8 thereof.

47. MacBride Principles - Northern Ireland. The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Lessee acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.
48. No Tobacco Advertising. Tenant shall not permit on the Premises any advertising of cigarettes or tobacco products.
49. First Source Hiring Ordinance. The City and County of San Francisco has adopted a First Source Hiring Ordinance (Board of Supervisors ordinance No. 264-98) that establishes specific requirements, procedures and monitoring for the hiring for entry level jobs of qualified, economically disadvantaged individuals (as defined by the Ordinance) by certain lessees and permittees doing business with the City. Within 30 days after the Airport Commission adopts a First Source Hiring Plan ("Airport Plan") in accordance with the Ordinance, Lessee shall enter into a First Source Hiring Agreement with the Airport Commission. Such agreement will require Lessee to make good faith efforts to meet targeted hiring goals of qualified, economically disadvantaged individuals for work on the subject Lease. The Agreement will also require the Lessee to provide to the Airport Commission records necessary for the Airport Commission to monitor compliance with the Ordinance.
50. Resource Efficiency Ordinance. With respect to any construction activity, including renovation or remodeling, on the Premises, Lessee shall comply with the City and County of San Francisco's Resource Efficiency Ordinance, Chapter 82 of the San Francisco Administrative Code, to the extent applicable.
51. Minimum Compensation Ordinance. Lessee 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 Lease as though fully set forth. The text of the MCO is available on the web at www.ci.sf.ca.us/MCO. Capitalized terms used in this Section and not defined in this Lease shall have the meanings assigned to such terms in Chapter 12P. Consistent with the requirements of the MCO, Lessee agrees to all of the following:
- (a) For each hour worked by a Covered Employee during a Pay Period on the property covered by this Lease, Lessee shall provide to the Covered Employee no less than the Minimum Compensation, which includes a minimum hourly wage and compensated and uncompensated time off consistent with the requirements of the MCO. For the minimum hourly gross

compensation portion of the MCO, the Lessee shall pay \$9.00 an hour through December 31, 2001. On January 1, 2002, Lessee shall increase the minimum hourly gross compensation to \$10.00 an hour, provided, however, that if Lessee is a Nonprofit Corporation or a public entity, it shall be required to pay the increased amount only if the City makes the finding required by Section 12P.3(a)(ii) of the San Francisco Administrative Code. If Lessee is required to increase the minimum gross hourly compensation to \$10.00 an hour, it shall provide the 2.5% annual increase required by the MCO for each of the next three years. For the minimum hourly gross compensation portion of the MCO, the Lessee shall pay \$9.00 an hour through December 31, 2001.

- (b) Lessee shall not discharge, reduce in compensation, or otherwise discriminate against any employee for complaining to the City with regard to Lessee's compliance or anticipated compliance with the requirements of the MCO, for opposing any practice proscribed by the MCO, for participating in proceedings related to the MCO, or for seeking to assert or enforce any rights under the MCO by any lawful means.
- (c) Lessee understands and agrees that the failure to comply with the requirements of the MCO shall constitute a material breach by Lessee of the terms of this Lease. The City, acting through the Contracting Department, shall determine whether such a breach has occurred.
- (d) If, within 30 days after receiving written notice of a breach of this Lease for violating the MCO, Lessee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Lessee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City, acting through the Contracting Department, shall have the right to pursue the following rights or remedies and any rights or remedies available under applicable law:
 - (1) The right to charge Lessee an amount equal to the difference between the Minimum Compensation and any compensation actually provided to a Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law;
 - (2) The right to set off all or any portion of the amount described in Subsection (d)(1) of this Section against amounts due to Lessee under this Lease;
 - (3) The right to terminate this Lease in whole or in part;
 - (4) In the event of a breach by Lessee of the covenant referred to in Subsection (b) of this Section, the right to seek reinstatement of the employee or to obtain other appropriate equitable relief; and

- (5) The right to bar Lessee from entering into future contracts with the City for three (3) years.

Each of the rights provided in this Subsection (d) shall be exercisable individually or in combination with any other rights or remedies available to the City. Any amounts realized by the City pursuant to this subsection shall be paid to the Covered Employee who failed to receive the required Minimum Compensation.

- (e) Lessee 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 MCO.
- (f) Lessee shall keep itself informed of the current requirements of the MCO, including increases to the hourly gross compensation due Covered Employees under the MCO, and shall provide prompt written notice to all Covered Employees of any increases in compensation, as well as any written communications received by the Lessee from the CITY, which communications are marked to indicate that they are to be distributed to Covered Employees.
- (g) Lessee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the MCO.
- (h) Lessee shall provide the City with access to pertinent records after receiving a written request from the City to do so and being provided at least five (5) business days to respond.
- (i) The City may conduct random audits of Lessee. Random audits shall be (i) noticed in advance in writing; (ii) limited to ascertaining whether Covered Employees are paid at least the minimum compensation required by the MCO; (iii) accomplished through an examination of pertinent records at a mutually agreed upon time and location within ten (10) days of the written notice; and (iv) limited to one audit of Lessee every two years for the duration of this Lease. Nothing in this Lease is intended to preclude the City from investigating any report of an alleged violation of the MCO.
- (j) If Lessee assigns any rights under this Lease to another party, Lessee will include all provisions of this section in any such assignment, including subsections (j) and (k). Further, each such assignment shall make the City a third party beneficiary with respect to enforcement of the MCO and shall give the City the right to enforce the remedies provided in the MCO against any assignee for violation of the MCO. Lessee shall notify the Department of Administrative Services when it enters into such an assignment and shall certify to the Department of Administrative Services that it has notified the assignee of its obligations under the MCO. If the City receives a complaint

of a possible violation of the requirements of the MCO with respect to any assignee, Lessee shall, upon written request by the City, obtain such information from such assignee as the City shall specify relating to compliance with the MCO and Lessee shall comply with any reasonable request by the City to assist in resolving the complaint. The City is a third party beneficiary under this Lease only for purposes of enforcing the requirements of the MCO and for no other purpose.

- (k) If Lessee enters into any agreement for the performance of services on the property covered by this Lease, Lessee will require the contractor to comply with the requirements of the MCO. Further, each such agreement shall make the City a third party beneficiary with respect to enforcement of the MCO and shall give the City the right to enforce the remedies provided in the MCO against any contractor for violation of the MCO. Lessee shall notify the Department of Administrative Services when it enters into such an agreement and shall certify to the Department of Administrative Services that it has notified the contractor of its obligations under the MCO. If the City receives a complaint of a possible violation of the requirements of the MCO with respect to any contractor providing services on the property covered by this Lease, Lessee shall, upon written request by the City, obtain such information from such contractor as the City shall specify relating to compliance with the MCO and Lessee shall comply with any reasonable request by the City to assist in resolving the complaint. The City is a third party beneficiary under this Lease only for purposes of enforcing the requirements of the MCO and for no other purpose.
- (l) Each Covered Employee is a third-party beneficiary with respect to the requirements of subsections (a) and (b) of this Section, and may pursue the following remedies in the event of a breach by Lessee of subsections (a) and (b), but only after the Covered Employee has provided the notice, participated in the administrative review hearing, and waited the 21-day period required by the MCO. Lessee understands and agrees that if the Covered Employee prevails in such action, the Covered Employee may be awarded: (1) an amount equal to the difference between the Minimum Compensation and any compensation actually provided to the Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law; (2) in the event of a breach by Lessee of subsections (a) or (b), the right to seek reinstatement or to obtain other appropriate equitable relief; and (3) in the event that the Covered Employee is the prevailing party in any legal action or proceeding against Lessee arising from this Lease, the right to obtain all costs and expenses, including reasonable attorney's fees and disbursements, incurred by the Covered Employee. Lessee also understands that the MCO provides that if Lessee prevails in any such action, Lessee may be awarded costs and expenses, including reasonable attorney's fees and disbursements, from the Covered Employee if the court determines that the Covered Employee's action was frivolous, vexatious or otherwise an act of bad faith.

(m) If Lessee is exempt from the MCO when this Lease is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000 (\$50,000 for nonprofits), but Lessee later enters into an agreement or agreements that cause Lessee to exceed that amount in a fiscal year, Lessee shall thereafter be required to comply with the MCO under this Lease. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Lessee and this department to exceed \$25,000 (\$50,000 for nonprofits) in the fiscal year.

6. As modified hereby, the Lease shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Modification by their duly authorized officers, as of the day and year first above written.

AUTHORIZED BY AIRPORT COMMISSION

Resolution No. 00-0440

Adopted: December 5, 2000

Attest: Paul Caramatti
Secretary
Airport Commission

APPROVED AS TO FORM:
LOUISE H. RENNE, City Attorney

By: Samuel G.
Deputy City Attorney

CITY

City and County of San Francisco,
a municipal corporation,
acting by and through its Airport Commission

John L. Martin
Airport Director

LESSEE:

United Airlines, Inc.

By: Amos S. Kazaz
Name: AMOS S. KAZAZ
Title: VICE PRESIDENT
CORPORATE REAL ESTATE

MS:bv
12/6/00
X:\AV\TENANTS\AIRLINES\LEASES\UA MOC mod3A.doc

Appendix I

Provisions Regarding City's Nondiscrimination Ordinance

The following provisions are incorporated into the Lease to which it is attached as if fully set forth therein:

1. Non-Discrimination in City Contracts and Benefits Ordinance

(a) Covenant Not To Discriminate. In the performance of this Lease, Airline covenants and agrees not to discriminate on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status) against any employee of, any City employee working with, or applicant for employment with Airline, in any of Airline's operations within the United States, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Airline.

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

(c) Nondiscrimination in Benefits. Airline does not as of the date of this Lease and will not during the Term, in any of its operations within the City and County of San Francisco or in other locations owned by the City and County of San Francisco, including the Airport, discriminate in the provision of Non-ERISA Benefits (as defined below) 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. Airline shall not be deemed in violation of the immediately-preceding representation and covenant if Airline is pursuing the implementation of Non-ERISA Benefits within the timeframes established by the City's Human Rights Commission consistent with the Rules of Procedure. As used above, the term "Non-ERISA Benefits" shall mean any and all benefits payable through benefit arrangements generally available to Airline's employees which are neither "employee welfare benefit plans" nor "employee pension benefit plans", as those terms are defined in Sections 3(1) and 3(2) of ERISA. Non-ERISA Benefits shall include, but not be limited to, all benefits

offered currently or in the future, by Airlines to its employees, the spouses of its employees or the domestic partners of its employees, that are not defined as "employee welfare benefits plans" or "employee pension benefit plans", and, which include any bereavement leave, family and medical leave, and travel discounts provided by Airline to its employees, their spouses and the domestic partners of employees.

(d) Declaration. As used below, the term "**Declaration**" shall mean the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (Form HRC-12B-101) with supporting documentation.

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination 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. Airline 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 the remedies provided in such Chapters. Without limiting the foregoing, Airline 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 Airline and/or deducted from any payments due Airline.

(f) Contingent Application of Ordinance.

(1) Notwithstanding anything to the contrary in this Lease, Airline's obligation to comply with Sections 12B.1(b) and 12B.2(b) of the San Francisco Administrative Code and Sections 1 (c)(d), and (e) of this Appendix (collectively, the "**Benefits Provisions**"), shall be contingent as provided in this Section 1 (f): Airline and City acknowledge that a challenge to the Benefits Provisions is pending in the United States Ninth Circuit Court of Appeals in the matter of Airport Transport Association of America, et al. v. City and County of San Francisco, et al., Case Number C-97-17863CW (the "**Lawsuit**").

(2) Notwithstanding anything in this Lease to the contrary, if City, by virtue of a relevant stay, moratorium, or injunction (collectively, "**Stay**"), is not permitted to require Airline to comply with any or all portions of the Benefits Provisions, then Airline shall not be required to comply with such portion(s) of the Benefits Provisions while such Stay is in place. In the event this Lease is executed while any such Stay is in place, then, within **ten (10) days** after such Stay has been partially or totally dissolved, Airline shall submit the Declaration evidencing Airline's intention to comply with the Benefits Provisions no longer subject to a Stay. If following the submission of such Declaration, a Stay is issued by a higher court, Airline's obligation to comply with the relevant Benefits Provisions shall be suspended for so long as the Stay is operative. Any time period during which the Stay is in effect shall be excluded from the time in which Airline must comply with Benefits Provisions. In the event such higher court's Stay is later dissolved, then Airline's obligation to comply with the Benefits Provisions shall be reinstated and Airline shall proceed to comply with the Benefits Provisions.

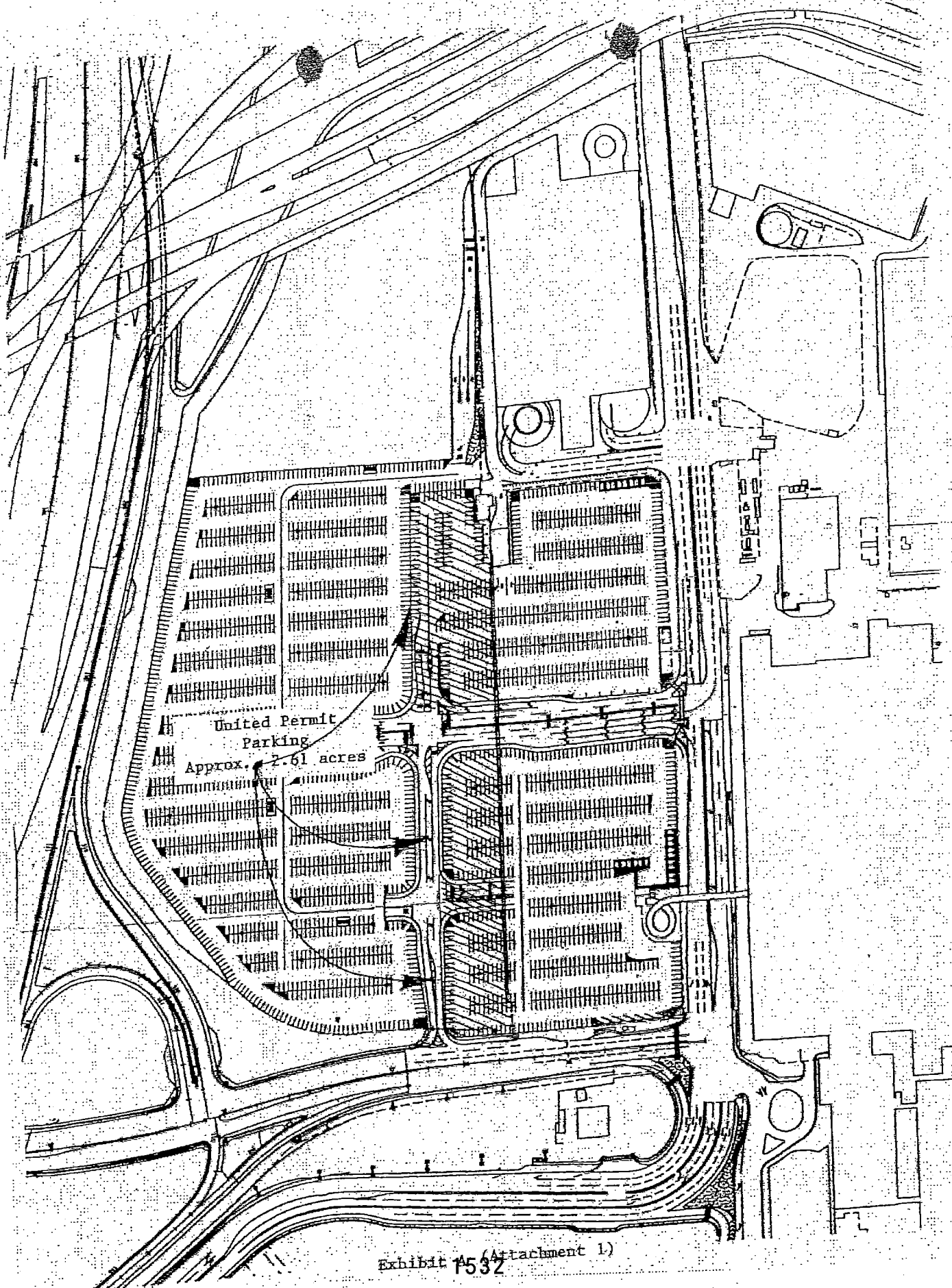
(3) Notwithstanding anything in this Lease to the contrary, if the Appellate Court or the U.S. Supreme Court (if either party to the Lawsuit seeks review in such court) voids, limits, restricts, or otherwise strikes down all or any portion of the Benefits Provisions, then Airline shall not be obligated to comply with those portions of the Benefits Provisions voided, limited, restricted, or stricken; provided, however, if a higher court subsequently reverses or overrules such decision, then Airline shall be obligated to comply with those portions of the Benefits Provisions upheld. Following a ruling by the highest court in which either party seeks review of the Benefits Provisions, this Lease will be deemed to give full effect to such ruling, reflecting the then-current state of the law.

(4) If the Lawsuit is voluntarily dismissed by the plaintiffs prior to the matter being settled as between City and plaintiffs, then Airline shall submit the Declaration evidencing Airline's intention to comply with the Benefits Provisions within ten (10) days following such voluntary dismissal.

(5) To the extent Airline is required to comply with the Benefits Provisions pursuant to the foregoing, then Airline shall do so within the time permitted by the Human Rights Commission's "Rules of Procedure for the Nondiscrimination in Contracts: Equal Benefits Provisions of Chapter 12B of the San Francisco Administrative Code (the "Rules")," dated August 13, 1998, §II(E)(1)(a), including any extensions granted pursuant to the Rules, provided that for purposes of the Rules, "the date the contract with the City and County begins" shall be the date of Airline's latest Declaration.

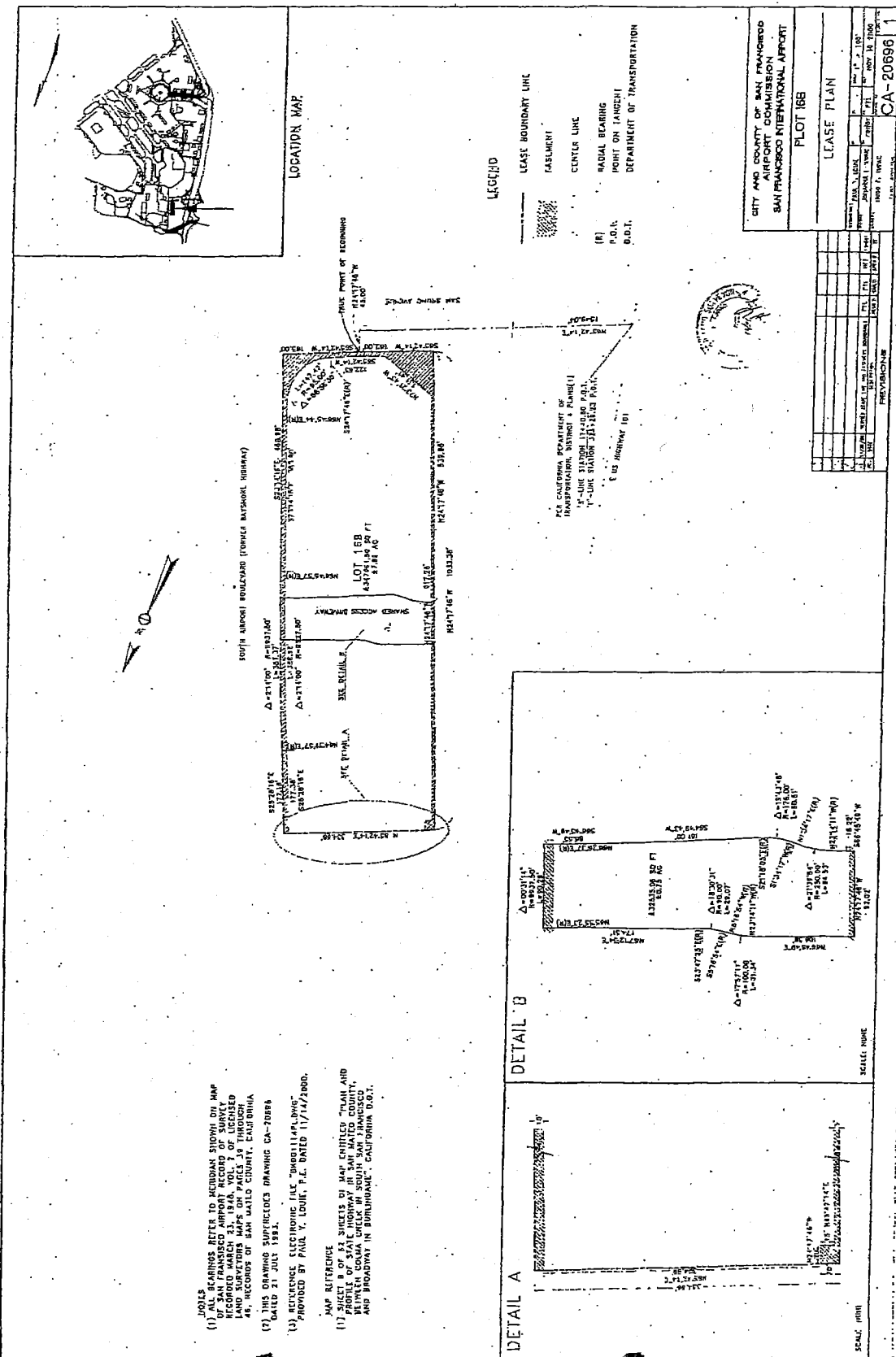
(6) If Airline fails to timely comply with the provisions of this Appendix, City shall have all rights and remedies available to City under this Lease (including termination of this Lease), under the San Francisco Administrative Code and at law or in equity.

(7) In the event the parties resolve the Lawsuit by way of Settlement, Airline's obligations to comply with the Benefits Provisions shall be determined by the settlement agreement which shall take precedence over this Appendix.



United Permit
Parking
Approx. 2.61 acres

EXHIBIT A



- NOTES**
- (1) ALL BEARINGS REFER TO MENDOTA STATION ON MAP OF SAN FRANCISCO AIRPORT RECORD OF SURVEY AND RECORD OF SURVEY MAPS ON PAGES 38 THROUGH 46, RECORDS OF SAN MATEO COUNTY, CALIFORNIA.
 - (2) THIS DRAWING SUPERSEDES DRAWING CA-2088A DATED 21 JULY 1983.
 - (3) REFERENCE ELECTRONIC FILE "SFO01114PL.DWG" PROVIDED BY PAUL V. LOUIE, P.E. DATED 11/14/2000.
- MAP REFERENCE**
- (1) SHEET 8 OF 22 SHEETS OF MAP ENTITLED "PLAN AND RECORD OF SURVEY FOR THE AIRPORT PROPERTY BETWEEN SOMMA DRIVE AND SOUTH MATED COUNTY, AND BROADWAY IN BURLINGAME", CALIFORNIA D.O.T.

CITY AND COUNTY OF SAN FRANCISCO
AIRPORT COMMISSION
SAN FRANCISCO INTERNATIONAL AIRPORT

PLOT 18B

LEASE PLAN

PROJECT NO.	CA-20896
DATE	11/14/2000
BY	PAUL V. LOUIE
CHECKED BY	PAUL V. LOUIE
DATE	11/14/2000

SHEET 1 OF 1 SHEETS

SAN FRANCISCO INTERNATIONAL AIRPORT

PLOT 16B

Drawing No. CA-20696 Rev. 1 dated 11/30/00

Commencing at the intersection of the center lines of the Bayshore Freeway and San Bruno Avenue, which point of intersection is California Highway Commission Station "F" Line 325+29.23 P.O.T. and California Highway Commission Station "S" Line 17+40.80 P.O.T., Route 68, Section F, district IV as shown on Sheet 8 of 62 Sheets entitled "Plan and Profile of State Highway in San Mateo County, between Colma Creek in South San Francisco and Broadway in Burlingame";

Thence along said center line of San Bruno Avenue North 65°42'14" East 1549.04 feet;
Thence North 24°17'46" West 45.00 feet to the True Point of Beginning of this description;

Thence South 65°42'14" West 162.00 feet;

Thence North 24°17'46" West 1033.38 feet;

Thence North 65°42'14" East 334.66 feet to the Southwesterly right of way line of the original Bayshore Highway, the portion of said right of way within Tide Land lot No. 28 Section 27, T3S., R5W., MDB&M, being described in that deed from South San Francisco Land and Improvement Company to the State of California dated October 11, 1926, and recorded December 2, 1926, in Book 267 Official Record of San Mateo County at page 348 and that portion of said right of way within Section 34 Northeasterly of San Bruno Avenue being described in that easement from Mills Estate Inc. to the State of California dated October 23, 1924, and recorded August 8, 1925, in Book 180, official records of San Mateo County at page 149;

Thence along said right of way South 25°28'16" East 177.18 feet;

Thence along a non-tangent curve to the right having a radius 9,937.50 feet a radial line to said curve bears N64°31'57"E, a central angle of 2°14'00", an arc length 387.37 feet;

Thence South 23°14'16" East 468.98 feet;

Thence South 65°42'14" West 168.00 feet to the Point of Beginning of this description containing approximately 7.99 acres as determined by AutoCAD methods.

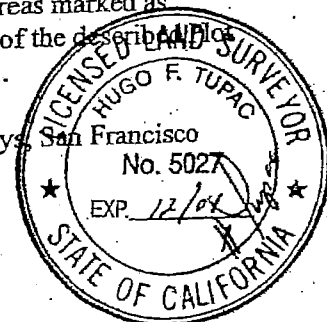
Except the interest in the portion marked as "Shared Access Driveway" as shown on Airport Commission Drawing CA 20696 Rev. 1. That portion contains approximately 0.75 acres as determined by AutoCAD methods.

Total area of Plot 16B without the "Shared Access Driveway" is 7.24 acres.

Reserving therefrom a 10 foot strip of land, 5 foot strip of land and areas marked as utility easement along the easterly, southerly and westerly perimeter of the described Plot 16 B as indicated on Airport Commission Drawing CA 20696 Rev. 1.

This document prepared by Hugo F. Tupac L.S. 5027 Chief of Surveyor,
International Airport.

END OF DESCRIPTION



MEMORANDUM OF LEASE MODIFICATION

**MODIFICATION No. 4 to
MAINTENANCE BASE LEASE
SAN FRANCISCO INTERNATIONAL AIRPORT**

UNITED AIRLINES, INC.

Lease No. 73-0066

Reference is made to that certain Cure Stipulation Agreement entered into March 31, 2004, between the City and County of San Francisco acting by and through its Airport Commission ("City"), as landlord, and United Airlines, Inc. ("Lessee") and United Cogen, Inc., collectively as tenant, relating to early assumption of leases and other contracts and the settlement of other claims, in relation to In re UAL Corporation, et al, Debtors, Case No. 02-B-48191, United States Bankruptcy Court for the Northern District of Illinois, Eastern Division. Said Cure Stipulation Agreement was approved by City's Airport Commission (Resolution No. 04-0058) on March 12, 2004, by the San Francisco Board of Supervisors (Ordinance File No. 040321) on April 13, 2004, by the Board of Directors of each of Airline and United Cogen, Inc. on March 25, 2004, and by the Bankruptcy Court on April 16, 2004. The "Effective Date" of the Cure Stipulation Agreement is April 27, 2004.

Among the provisions of the Cure Stipulation Agreement is the deemed modification of the referenced lease ("**Lease**") as follows:

1. **Option.** City grants Lessee an option to extend the term of the Lease by an additional ten (10) year period. If exercised, the term shall be extended to June 30, 2023. Lessee shall pay rent ("**Option Term Rent**") equal to the fair market value of the premises covered by the Lease, as determined by the methodology specified in Section 3 of the Lease.
2. **Exercise.** To exercise the option:
 - a. Lessee shall give written notice to City of its desire to exercise the option ("**Exercise Notice**") on or before December 1, 2012.
 - b. On or before March 1, 2013, City shall give notice to Lessee of City's determination of the Option Term Rent amount ("**Rent Amount Notice**").
 - c. If Lessee is unwilling to proceed with the option term given the amount of the Option Term Rent, Lessee may withdraw its Exercise Notice within 60 days after receipt of the Rent Amount Notice by giving City notice of such withdrawal ("**Withdrawal Notice**"). If Lessee fails to give the Withdrawal Notice within the 60-day period, the Lease shall be deemed extended at the rent specified in the Rent Amount Notice. If Lessee gives the Withdrawal Notice within the specified 60-day period, the Lease shall expire on June 30, 2013.
3. **No Other Changes.** All other terms and conditions of the Lease remain the same.
4. **Effective Date.** April 27, 2004.

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, SF Board of Supervisors	Members, SF Board of Supervisors

Contractor Information (Please print clearly.)	
Name of contractor: <i>United Airlines, Inc.</i>	
Note: <i>Effective March 31, 2013, United Air Lines, Inc. will merge with and into Continental Airlines, Inc. and the name of the surviving company will be changed to United Airlines, Inc.</i>	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer, and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed on the contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.	
<i>Jeffery A. Smisek, James E. Compton, Peter D. McDonald, John D. Rainey</i>	
2.) <i>Jeffery A. Smisek, Chairman, President and Chief Executive Officer; John D. Rainey, Executive Vice President and Chief Financial Officer; Peter D. McDonald, Executive Vice President and Chief Operations Officer</i>	
3.) <i>The contractor is a wholly-owned subsidiary of United Continental Holdings, Inc.</i>	
4.) <i>None</i>	
5.) <i>United Airlines Political Action Committee (UAPAC). Through the voluntary contributions of eligible employees, UAPAC gives support to candidates for federal office who are committed to a strong and competitive airline industry. UAPAC supports the campaigns of state, local, and federal candidates of all parties. The United Airlines Governmental Affairs office in Washington, D.C. can provide further information (202) 521-4400.</i>	
Contractor address: <i>Willis Tower, 233 S. Wacker Drive, Chicago, IL 60606</i>	
Date that contract was approved:	Amount of contract: TBD each FY
Describe the nature of the contract that was approved:	
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 Francisco Board of Supervisors

Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

Filer Information (Please print clearly.)	
Name of filer:	Contact telephone number:
Angela Calvillo, Clerk of the Board of Supervisors	(415) 554-5184
Address:	E-mail:
1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102-4689	Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed