

File No. 180079

Committee Item No. 5

Board Item No. \_\_\_\_\_

### COMMITTEE/BOARD OF SUPERVISORS

#### AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date March 8, 2018

Board of Supervisors Meeting

Date \_\_\_\_\_

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/> | Motion                                       |
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| <input type="checkbox"/>            | <input type="checkbox"/> | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/> | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/> | Introduction Form                            |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/> | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Subcontract Budget                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Contract/Agreement                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/> | Application                                  |
| <input type="checkbox"/>            | <input type="checkbox"/> | Public Correspondence                        |

OTHER (Use back side if additional space is needed)

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| <input checked="" type="checkbox"/> | <input type="checkbox"/> | <u>Airport Commission Resolution</u> |
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Completed by: Linda Wong

Date March 2, 2018

Completed by: Linda Wong

Date \_\_\_\_\_

1 [Lease Agreement - DFS Group, LP - Airport Concession - \$42,000,000 Minimum Annual  
2 Guarantee]

3 **Resolution approving the International Terminal Duty Free and Luxury Stores Lease**  
4 **No. 17-0303 between DFS Group, LP and the City and County of San Francisco,**  
5 **acting by and through its Airport Commission, for a 14-year term, to commence**  
6 **following Board approvals, and an initial Minimum Annual Guarantee of \$42,000,000.**  
7

8 WHEREAS, Following completion of a request for proposals process, the Airport  
9 Commission awarded the International Terminal Duty Free and Luxury Stores Lease No. 17-  
10 0303 to the highest-ranking responsive and responsible proposer, DFS Group, LP, by Airport  
11 Commission Resolution No. 17-0303 dated December 5, 2017; and

12 WHEREAS, The International Terminal Duty Free and Luxury Stores Lease No. 17-  
13 0303 has a term of 14-years, and an initial Minimum Annual Guarantee of \$42,000,000; now,  
14 therefore, be it

15 RESOLVED, That the Board of Supervisors hereby approves the International Terminal  
16 Duty Free and Luxury Stores Lease No. 17-0303, a copy of which is on file with the Clerk of the  
17 Board of Supervisors in File No. 180079; and, be it

18 FURTHER RESOLVED, That within thirty (30) days of the lease being fully executed by  
19 all parties, the Airport Commission shall provide a copy of the executed lease to the Clerk of the  
20 Board for inclusion into the official file.  
21  
22  
23  
24  
25

<p><b>Item 5</b> <b>File 18-0079</b></p>	<p><b>Department:</b> San Francisco International Airport (Airport)</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p>	
<ul style="list-style-type: none"> <li>• The proposed resolution approves a lease agreement between San Francisco International Airport (Airport) as landlord and DFS Group, LP as tenant for 12 retail facilities totaling 46,295 square feet, a term of 14 years and a possible automatic extension up to 5 years, and initial Minimum Annual Guaranteed (MAG) rent of \$42,000,000.</li> </ul>	
<p style="text-align: center;"><b>Key Points</b></p>	
<ul style="list-style-type: none"> <li>• On February 21, 2017, the Airport Commission authorized Airport staff to begin the Request for Proposals (RFP) process for the International Terminal Duty Free and Luxury Stores Lease. On September 15, 2017, the Airport received four proposals. A six-member panel reviewed and scored the proposals and determined DFS Group, LP to be the highest scoring responsible and responsive proposer.</li> <li>• The lease has a term of 14 years, from approximately July 1, 2019 to June 30, 2033, and may be automatically extended by up to five additional years if a new retail plaza is constructed. The lease comprises 46,295 square feet across 12 facilities, 11 of which are in the International Terminal and one in Terminal 1, expected to open in 2022. The initial MAG rent is \$42,000,000. DFS would pay the greater of the MAG or percentage rent based on gross revenues.</li> </ul>	
<p style="text-align: center;"><b>Fiscal Impact</b></p>	
<ul style="list-style-type: none"> <li>• The Airport would receive at least \$42,000,000 in initial MAG rent. Over the 14-year term of the lease, the Airport would receive at least \$588,000,000 in MAG rent. The MAG would be adjusted annually to the greater of the previous MAG or 90 percent of actual rent paid in the previous year. The Airport expects to receive percentage rent, which would exceed the MAG.</li> </ul>	
<p style="text-align: center;"><b>Recommendation</b></p>	
<ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

## MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease of real property for a period of ten years or more or that has revenue to the City of \$1 million or more is subject to Board of Supervisors approval.

## BACKGROUND

On February 21, 2017, the Airport Commission authorized San Francisco International Airport (Airport) staff to begin the Request for Proposals (RFP) process for the International Terminal Duty Free and Luxury Stores Lease. On June 6, 2017, the Airport Commission approved minimum qualifications for proposers and lease specifications and authorized Airport staff to accept proposals. On September 15, 2017, the Airport received four proposals, and a six-member panel reviewed the proposals to determine the highest ranking responsive and responsible proposer. The proposals and scores are shown in Table 1 below.

**Table 1: Proposals and Scores for RFP**

Proposer	Score
DFS Group, LP	96.67
Duty Free Americas San Francisco, LLC	83.59
Dufry North America, LLC	79.83
Travel Retail San Francisco, LLC	60.67

The panel determined that DFS Group, LP was the highest ranking responsive and responsible bidder. On December 5, 2017, the Airport Commission approved the lease with DFS Group, LP.

## DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the International Terminal Duty Free and Luxury Stores<sup>1</sup> Lease with DFS Group, LP for a term of 14 years, from approximately July 1, 2019 through June 30, 2033, and initial Minimum Annual Guaranteed (MAG) rent of \$42,000,000. The lease is comprised of 12 facilities totaling 46,295 square feet, including one facility in Terminal 1 that is expected to open in 2022. The delivery date of the Terminal 1 facility would depend on the Airport's construction schedule and would not affect the termination date of the lease. The list of facilities is shown in Table 2 below.

<sup>1</sup> Luxury stores proposed by DFS include Gucci, Burberry, Hermes, Coach, and Yves Saint Laurent.

**Table 2: Facilities Included in DFS Group Lease**

Location	Square Footage
Duty Free Store A	10,005
Duty Free Satellite Store A	1,996
Luxury Space A1	2,968
Luxury Space A2	2,494
Luxury Space A3	1,769
Kiosk	352
<i>International Terminal "A" Total</i>	<i>19,584</i>
Duty Free Store G	17,141
Duty Free Satellite Store G	1,436
Luxury Space G1	730
Luxury Space G2	1,674
Luxury Space G3	2,016
<i>International Terminal "G" Total</i>	<i>22,997</i>
Terminal 1 (Expected in 2022)	3,714
<b>Total</b>	<b>46,295</b>

DFS Group would pay the greater of the MAG, initially \$42,000,000, or percentage rent based on gross revenues. The MAG would be adjusted each year to the greater of the existing MAG or 90 percent of actual rent paid in the previous year. The term would begin when initial improvements are complete or one year after the tenant is given permission to occupy the facility, although the tenant may operate a temporary facility during the development term and pay 30 percent of gross revenues in rent. The key provisions of the lease are shown in Table 3 below.

**Table 3: Key Provisions of Lease**

<b>Term</b>	Fourteen years, from approximately July 2019 through June 2033
<b>Square Footage</b>	Approximately 46,295 square feet across 12 facilities
<b>Initial MAG Rent</b>	\$42,000,000
<b>MAG Adjustment</b>	Annually to the greater of the existing MAG or 90% of rent paid in previous year
<b>Percentage Rent</b>	45.8% of gross revenues up to \$100,000,000 41.8% of gross revenues from \$100,000,000 to \$150,000,000 30% of gross revenues over \$150,000,000
<b>Interim Rent During Construction</b>	30% of gross revenues
<b>Promotional Fee</b>	\$1 per square foot per year
<b>Deposit Amount</b>	½ of the initial MAG (subject to adjustment)
<b>Minimum Investment Amount</b>	\$1,000 per square foot of the premises (\$46,295,000), or a lesser amount deemed sufficient by Design Review Committee

The proposed lease does not provide an option to extend the lease term beyond the initial 14-year term. However, according to Mr. John Reeb, Airport Senior Principal Property Manager, the Airport has plans to construct a Retail Plaza in the International Terminal in the next 7 to 10 years. If the Retail Plaza is constructed, retailers would need to redesign and rebuild their stores at their own expense. Under the proposed lease, if DFS Group redesigns and rebuilds its stores in the Retail Plaza within five years of the lease expiration date, the lease is automatically extended for up to five years to allow DFS to operate in the Retail Plaza and recoup its investment into the new retail space.

#### **FISCAL IMPACT**

In the initial year of the lease, the Airport will receive the greater of the MAG or percentage rent based on gross revenues. The MAG would be adjusted annually to the greater of the existing MAG or 90 percent of actual rent paid in the previous year. Over the 14-year term of the lease, the Airport will receive at least \$588,000,000 in MAG rent. According to Mr. Reeb, the Airport expects to receive percentage rent, which would exceed the MAG.

#### **RECOMMENDATION**

Approve the proposed resolution.

**LEASE AGREEMENT  
FOR THE  
INTERNATIONAL TERMINAL DUTY FREE AND  
LUXURY STORES LEASE  
AT SAN FRANCISCO INTERNATIONAL AIRPORT**

by and between

**DFS Group, L.P.**  
as tenant

and

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

Edwin M. Lee  
Mayor

**AIRPORT COMMISSION**  
Hon. Larry Mazzola, President  
Hon. Linda S. Crayton, Vice President  
Hon. Eleanor Johns  
Hon. Richard J. Guggenheimer  
Hon. Peter A. Stern

Ivar C. Satero  
Airport Director

December 5, 2017

Lease No.17-0303

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**LEASE AGREEMENT  
FOR THE  
INTERNATIONAL TERMINAL DUTY FREE AND LUXURY STORES LEASE  
AT SAN FRANCISCO INTERNATIONAL AIRPORT**

**MAJOR LEASE TERM SUMMARY**

For the convenience of Tenant and City (as such terms are defined below), this Major Lease Term Summary (this “**Summary**”) summarizes certain terms of this Lease (as defined below). This Summary is not intended to be a detailed or complete description of this Lease, and reference must be made to the other Sections below for the particulars of this Lease. In the event of any inconsistency between the terms of this Summary and any other provision of this Lease, such other provision shall prevail. Capitalized terms used elsewhere in this Lease and not defined elsewhere shall have the meanings given them in this Summary.

**Effective Date:** \_\_\_\_\_, 20\_\_.

**Tenant:** DFS Group, L.P.,  
a Delaware Limited Partnership.

**Tenant’s Notice Address:** DFS Group L.P.  
1580 Francisco Street  
Torrance, CA 90501  
Attn: Mark Sullivan, Managing Director – North America  
Fax No. 310-783-6601  
Tel. No. 310-783-6749

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

**City’s Notice Address:** San Francisco International Airport  
International Terminal, North Shoulder Bldg., 5th Floor  
Attn: Airport Director  
P. O. Box 8097  
San Francisco, CA 94128  
Fax No. 650-821-5005  
Tel. No. 650-821-5000

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

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

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

**City's Sales Report** SFOConcessReport@flsfo.com  
**Address:**

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

**Premises:** A total of 12 Facilities, comprising approximately 46,295 square feet of space  
 (§ 1) located in the International Terminal, Boarding Areas A and G, and the New Terminal 1, Boarding Area B, (the "Premises") at San Francisco International Airport, as described below and further detailed on the attached Exhibit A.

<u>International Terminal Facilities</u>	<u>Sq Ft</u>
1. Duty Free Store A (A.3.004)	10,005
2. Duty Free Satellite Store A (A.3.034)	1,996
3. Luxury Space A1 (A.3.056)	2,968
4. Luxury Space A2 (A.3.052)	2,494
5. Luxury Space A3 (A.3.012/A.3.012A)	1,769
6. Kiosk (A.3.Kiosk B)	352
<b>Total A</b>	<b>19,584</b>
7. Duty Free Store G (G.3.002)	17,141
8. Duty Free Satellite Store G (G.3.019)	1,436
9. Luxury Space G1 (G.3.062)	730
10. Luxury Space G2 (G.3.060)	1,674
11. Luxury Space G3 (G.3.055)	2,016
<b>Total G</b>	<b>22,997</b>
<u>Terminal 1 Facilities</u>	
12. Terminal 1*	3,714
<b>Total</b>	<b>46,295</b>

\*The Terminal 1 Facility is to be delivered in or around 2022.

**Relevant Boarding Area:** Boarding Areas A & G  
 (§ 4.14)

**Term:** The Development Term, plus a fourteen (14) year Operating Term, collectively.  
 (§ 2)

**Development Term** is the period commencing on the Commencement Date and ending at 11:59 p.m. on the day prior to the Rent Commencement Date.

**Operating Term** is the period commencing on the Rent Commencement Date and ending on the Expiration Date.

**Commencement Date:** The date on which the Airport Director gives notice to Tenant that the first Facility is ready for Tenant to take possession.  
 (§ 2.1)

(actual date to be inserted upon determination)

**Rent for Operations During Development Term:** Tenant shall pay Thirty Percent (30%) of Gross Revenues as Base Rent during the Development Term (the "**Development Term Percentage Rent**").  
(§ 4.4)

**Rent Commencement Date:** The earlier of: (a) the first day of the first calendar month following the date on which the Initial Improvements in the International Terminal Facilities are substantially complete and Tenant opens for business therein, and (b) the first day of the first calendar month following the date that is three hundred sixty five (365) days after the Commencement Date.  
(§ 4)

Actual Date (to be inserted upon determination):

Rent Commencement Date

**Expiration Date:** 11:59 p.m. on the day before the fourteenth (14th) anniversary of the Rent Commencement Date.  
(§ 2)

(actual date to be inserted upon determination)

**Reference Year:** The calendar year immediately prior to the year in which this Lease is awarded: 2016.  
(§ 4.14)

**Permitted Use:** The operation of duty free/in-bond and duty paid facilities (each a "**Facility**" and collectively, the "**Facilities**"), as described on the attached Exhibit B.  
(§ 3)

**Base Rent:** The annual "**Base Rent**" shall be the higher of the Minimum Annual Guarantee ("**MAG**") or the following sum (such sum being referred to herein as the "**Percentage Rent**"):  
(§ 4)

- (a) 45.8% of Gross Revenues (as defined below) achieved up to and including \$100,000,000.00, plus,
- (b) 41.8% of Gross Revenues achieved from \$100,000,000.01 up to and including \$160,000,000.00, plus,
- (c) 30% of Gross Revenues achieved over \$160,000,000.00.

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

**Lease Year:** The period commencing on the Rent Commencement Date and terminating on December 31 of the year in which the Rent Commencement Date occurs, and each subsequent 12-month period except that the final Lease Year may be less than 12 months.  
(§ 4)

**Minimum Annual Guarantee ("**MAG**"):** Forty Two Million Dollars (\$42,000,000.00) per annum; (Three Million Five Hundred Thousand Dollars (\$3,500,000.00) per month), (a) subject to adjustments upward as described below and (b) suspension and reinstatement under certain circumstances as described herein.  
(§ 4)

Summary, Page iv



**MAG Adjustment Date:** The first MAG adjustment shall occur on January 1<sup>st</sup> following the first full Lease Year and every January 1<sup>st</sup> thereafter.  
(§ 4.3) \_\_\_\_\_  
(to be inserted upon determination)

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

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

**Minimum Investment Amount:** One Thousand Dollars (\$1,000) per square foot of the Premises, which equals Forty Six Million, Two Hundred Ninety Five Thousand Dollars (\$46,295,000.00), or such lesser amount deemed by City sufficient to meet the Airport's Concessions Design Guidelines and receive Design Review Committee approval.  
(§ 7.1)

**Promotional Charge:** One Dollar (\$1.00) per square foot per annum of the Premises which equals Forty Five Thousand Nine Hundred Forty Three Dollars (\$46,295.00).  
(§ 11)

**Resolution:** Number \_\_ - \_\_\_\_, approved by the Airport Commission on \_\_\_\_\_, 20\_\_.


**Initial Tenant Representative:** Mark Sullivan, Managing Director – North America  
Tel. No. 310-783-6749  
(§ 3.11)

**Other Agreements:** 99-0035, Post-Security Master Retail/Duty Free Concession Lease  
(§ 13.5) 17-0209, International Terminal Specialty Retail Concession Lease No. 3

**Exhibits:** A – Premises  
B – Use and Operational Requirements  
B-1 - Use and Operational Requirements, Tenant Partition Scope  
C-1 – Form of Performance Bond  
C-2 – Form of Letter of Credit  
D – Construction Obligations  
E – Scheduled Premises Delivery Dates

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

Initial of Authorized Representative of City \_\_\_\_\_ *lf*

Initial of Authorized Representative of Tenant  \_\_\_\_\_

**LEASE AGREEMENT  
FOR THE  
INTERNATIONAL TERMINAL DUTY FREE AND LUXURY STORES LEASE  
AT SAN FRANCISCO INTERNATIONAL AIRPORT**

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

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

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

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

Accordingly, Tenant and City agree as follows:

**1. PREMISES**

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

1.2 Relocation, Expansion, Contraction.

(a) At any time during the Term, City may require that (i) Tenant relocate and surrender all or part of the Premises (such change to the Premises referred to as a “**Required Relocation**”), and/or (ii) the Premises be contracted or expanded (such change to the Premises referred to as a “**Premises Change**”) on the terms set forth in this Section 1.2. City shall give notice (the “**Change Notice**”) setting forth a description of the Required Relocation or the Premises Change, as applicable, the approximate effective date thereof (the “**Target Effective Date**”), and with respect to a Required Relocation, the location of comparable on-Airport replacement premises. The Change Notice shall be given no less than six (6) months prior to the Target Effective Date.

(b) With respect to a Required Relocation, if the replacement premises are deemed unsatisfactory to Tenant, then Tenant may terminate this Lease by giving notice thereof to City within thirty (30) days after the Change Notice is given. In the event Tenant gives such notice of termination, then this Lease shall terminate on the Target Effective Date, and on such date, Tenant shall surrender the Premises in the condition required by this Lease. Provided Tenant does not terminate this Lease pursuant to the foregoing, Tenant shall surrender the Premises and relocate to the replacement premises on a date (the “**Surrender Date**”) determined by City (which shall be no earlier than the Target Effective Date). On the Surrender Date, Tenant shall surrender the Premises in the condition required below. In the event of a relocation pursuant to this Section 1.2(b), Tenant shall refurbish, redecorate, and modernize the interiors and exteriors of the replacement premises, such that the replacement premises are of at least the same quality as the original premises. As part of City’s approval of Tenant’s plans and specifications and Tenant’s budget for its remodeling, City may specify a maximum dollar amount to be reimbursed (the “**Maximum Reimbursement Amount**”). Once the remodeling of the replacement premises is completed, and City has approved the work, Tenant must submit to City (i) a certificate from Tenant’s architect certifying that the remodeling was completed in strict compliance with the plans and specifications approved by City, (ii) copies of paid invoices showing the costs actually paid by Tenant for the remodeling of the replacement premises and Tenant’s out-of-pocket moving costs, and (iii) lien releases from all contractors, subcontractors, and materialmen entitled to payment in connection with the remodeling of the replacement premises. Following its review and approval of those submissions, City will reimburse Tenant for all reasonable costs of remodeling the replacement premises and moving its merchandise and other personal property to the replacement premises from the original Premises; provided that in no event will City be required to reimburse Tenant for more than the Maximum Reimbursement Amount and further provided that City may, in City’s sole discretion, make such reimbursement by issuing Tenant a rent credit. In no event will City be obligated to pay or reimburse Tenant for any other costs or expenses, including business interruption costs.

(c) With respect to a Premises Change where the aggregate square footage of the original Premises will be expanded or contracted by more than ten percent (10%), Tenant may terminate this Lease by giving notice thereof to City within thirty (30) days after the Change Notice is given. In the event Tenant gives such notice of termination, then this Lease shall terminate on the Target Effective Date and on such date, Tenant shall surrender the Premises in the condition required below. Provided Tenant does not terminate this Lease pursuant to the foregoing, Tenant shall cause the Premises to be expanded or contracted as described in the Change Notice on or before the date described therein. As part of City’s approval of Tenant’s plans and specifications and Tenant’s budget for its expansion/contraction work, City may specify a Maximum Reimbursement Amount. Once the expansion/contraction work is completed, and City has approved the work, Tenant must submit to City (i) a certificate from Tenant’s architect certifying that the expansion/contraction work was completed in strict compliance with the plans and specifications approved by City, (ii) copies of paid invoices

showing the costs actually paid by Tenant for the remodeling and Tenant's out-of-pocket moving costs, and (iii) lien releases from all contractors, subcontractors, and materialmen entitled to payment in connection with the expansion/contraction work. Following its review and approval of those submissions, City will reimburse Tenant for all reasonable costs of the expansion/contraction work; provided that in no event will City be required to reimburse Tenant for more than the Maximum Reimbursement Amount and further provided that City may, in City's sole discretion, make such reimbursement by issuing Tenant a rent credit. In no event will City be obligated to pay or reimburse Tenant for any other costs or expenses, including business interruption costs.

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

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

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

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

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

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

extent of the improvements in any portion of the Airport, including without limitation the concourses, piers, boarding areas, concession areas and security areas located within the Terminal Building, (b) build additional stories above or below the Airport buildings, including of the Terminal Building, (c) eliminate or relocate public entrances to the Premises so long as there is at all times one public entrance to the Premises, (d) construct multi-level, elevated or subterranean parking facilities, and (e) expand or contract the Airport, including redefining the Airport boundaries so as to include additional lands within the Airport or exclude lands from the Airport or both. Without limiting waivers set forth elsewhere in this Lease, Tenant hereby waives all claims against City and releases City from all Losses (as defined below) that Tenant suffers or incurs arising out of or in connection with any changes to the Airport or any portion of the Airport and Tenant further agrees that Tenant will not be entitled to any rent abatement or any other rent relief in connection with any changes to the Airport or any portion of the Airport.

1.5 Common Areas. The term “**common areas**” means all areas and facilities located within the Airport that are designated by City from time to time for the general use and convenience of the tenants of the Airport and other occupants of the airport, and airline passengers and other visitors to the Airport such as concourses, sidewalks, elevators, escalators, moving walkways, parking areas and facilities, restrooms, pedestrian entrances, driveways, loading zones and roadways. City may, in its sole discretion, and without any liability to Tenant (a) change the common areas, (b) increase or decrease the common areas (including the conversion of common areas to leaseable areas and the conversion of leaseable areas to common areas), and (c) impose parking charges. City will, in its sole discretion, maintain the common areas, establish and enforce Airport Rules concerning the common areas, close temporarily portions of the common areas for maintenance purposes, and make changes to the common areas including changes in the location of security check points, driveways, entrances, exits, parking spaces, parking areas, and the direction of the flow of traffic. City reserves the right to make additional Airport Rules affecting the Airport throughout the Term, including the requirement that Tenant participate in a parking validation program.

1.6 Post-Security Retail Plaza. During the Term of the Lease, City may renovate portions of the International Terminal, and potentially construct a central main security checkpoint in the International Terminal (all such construction being referred to in this Section as the “**IT Renovation**”), which may result in modification to and removal of certain Tenant Facilities and/or portions of Tenant’s Premises under this Lease. City’s IT Renovation may also result in the delivery of additional space to Tenant to be included as Premises under this Lease, which additional space may potentially include a post-security retail plaza in the International Terminal (such new leased premises being referred to as the “**Retail Plaza**”). In the event City, in its sole discretion, undertakes the IT Renovation, Tenant agrees to abide by the terms and conditions set forth below:

(a) Upon delivery of the Retail Plaza, Tenant shall take possession of the space, cause the Initial Improvements to be substantially completed at Tenant’s sole cost and expense, investing not less than the per square foot Minimum Investment Amount set forth in the Lease Summary, and cause the Retail Plaza to be open within a reasonable time period to be agreed upon by the parties, which in no event will be later than one year from the date of delivery of a substantial portion of the space comprising the Retail Plaza. In addition, Tenant shall comply with all other terms and conditions of the Lease as they relate to the construction of improvements. During such construction period, provided Tenant is diligently performing its tenant improvement work in the Retail Plaza, the Minimum Annual Guarantee shall be suspended and Tenant shall pay the Percentage Rent set forth in the Lease Summary.

(b) In the event City requires the recapture of any portion of Tenant’s Premises in connection with the IT Renovation, upon receiving not less than thirty days’ advance written notice

from City, Tenant shall surrender such space in accordance with the surrender provisions of the Lease. Tenant shall receive no reimbursement from City related to any such recapture.

(c) City's IT Renovation and the opening of any Retail Plaza shall not result in any extension of the Term of the Lease; provided, however in the event the date of Tenant's beneficial occupancy of the majority of the Retail Plaza, as measured by square footage, is less than five (5) years from the Expiration Date of the Lease, the Lease shall be automatically extended such that Tenant has five years of operation in the Retail Plaza.

(d) The Minimum Annual Guarantee shall be reduced on a pro rata basis in the event the total square footage of the Premises is reduced as a result of the construction of the Retail Plaza.

(e) The modifications to the Lease set forth in this Section 1.6 shall be accomplished without a formal amendment to the Lease. Any modification to the Premises resulting from the IT Renovation shall not be deemed a "Required Relocation" or a "Premises Change" as such terms are defined in Section 1.2. Rather, such modifications will be accomplished in accordance with the terms of this Section 1.6.

## 2. TERM

2.1 Commencement and Expiration. The Term shall commence on the Commencement Date and expire on the Expiration Date, unless terminated prior thereto as provided herein. Upon Director's request, Tenant will execute a written acknowledgment of the Commencement Date and the Rent Commencement Date. In the event Tenant fails to execute and return promptly such acknowledgment to City, the dates described therein shall be deemed conclusive.

2.2 Phased Delivery and Required Opening. City may deliver each Facility to Tenant in phases, with one or more Facilities delivered to Tenant at different times. Tenant shall have no right to use or occupy any Facility until the Facility is so delivered. As to each Facility, upon City's notice that such Facility is ready for Tenant to take possession, Tenant shall (a) take possession of such Facility, (b) cause the Initial Improvements to be substantially completed, (c) cause the Facility to be open on or before the Rent Commencement Date. Notwithstanding the foregoing, in no event shall Tenant have less than one hundred twenty (120) days to complete its Initial Improvements for any one Facility. Tenant acknowledges that the Facility in Terminal 1 will not be delivered until approximately 2022 and that Tenant shall have 120 days to complete its Initial Improvements in such Facility. Tenant further acknowledges that this phased delivery of the Facility in Terminal 1 shall have no impact on the Minimum Annual Guarantee. For reference purposes only, the estimated delivery date for each Facility is set forth on Exhibit E, which remains subject to change at City's sole and absolute discretion.

2.3 Late Opening Charge. In the event Tenant fails to open a Facility for business on or before the Rent Commencement Date (or the required opening date for such Facility if different than the Rent Commencement Date as set forth in Section 2.2 above), City will incur substantial damages, the exact amount of which are extremely difficult to fix. Accordingly, for each day after the required opening date until the day on which Tenant opens the Facility for business, Tenant shall pay to City One Thousand Dollars (\$1,000.00) (in addition to Rent as provided below), as liquidated damages. The parties have agreed that this amount represents a reasonable approximation of the damages likely to be suffered by City in the event Tenant shall fail to open on or before the required opening date. In the event the Facility is not open for business on the date that is sixty (60) days after the required opening date, City shall have the option to terminate this Lease, or to remove the applicable Facility from the Lease, exercisable by notice to Tenant. In the event the applicable Facility is removed from the Lease, any Rent components

based on square footage shall be reduced accordingly. Tenant shall be liable for all damages associated with such termination or removal, including City's releasing costs.

2.4 Delivery Delay by City. If for any reason (including, without limitation, the existing tenant's failure to vacate timely the Premises) City cannot deliver possession of any portion of the Premises (or any Facility) to Tenant on the Commencement Date, this Lease shall remain in effect, City shall not be subject to any liability, and such failure shall not extend the Term hereof. In the event such delay extends beyond the Rent Commencement Date, and provided such delay is not caused by the act or omission of Tenant, or Tenant's principal, affiliate, contractor, employee, agent, licensee or invitee (a "**Tenant Entity**"), the Base Rent will be the greater of the Percentage Rent or a pro-rated Minimum Annual Guarantee based on the percentage of the affected square footage against the total square footage of the Premises during such period of delay. A pro-ration of the Minimum Annual Guarantee as described in the preceding sentence shall not apply to the Terminal 1 Facility, or a delay in delivery of any Facility (or any portion of the Premises) with a square footage which is less than 10% of the aggregate square footage of the Premises.

2.5 Holdover. If, without objection by City, Tenant holds possession of the Premises after the Expiration Date, Tenant shall become a tenant from month to month, upon the terms of this Lease. During any such holdover period, Tenant's obligation to pay Rent shall continue, subject to annual adjustments in the Minimum Annual Guarantee in accordance with Section 4.3. No such holdover shall be deemed to operate as a renewal or extension of the Term. Such month-to-month tenancy may be terminated by City or Tenant by giving thirty (30) days' notice of termination to the other at any time. Tenant shall have no rights to renew or extend the Term of this Lease.

2.6 Early Lease Termination.

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

(b) Under this provision only, Tenant is entitled to a Lease buy-out and no other monetary payment under this Lease, at law or at equity. The buy-out is computed as the unamortized investment in "hard construction costs" as defined further in Lease Section 7.3 [Minimum Investment]. In the absence of "hard construction costs," the required Minimum Investment Amount will be used. The amortization is based on a straight-line method as applied to the Operating Term. An example of the buy-out computation is as follows: Tenant invests \$500,000 in hard construction costs and has a five year Operating Term, and one two-year Extension Option. During the Operating Term and with two lease years remaining of the Operating Term, the Director exercises the Early Lease Termination provision. Using the straight line method for amortization, the buy-out to Tenant shall be \$200,000 (\$500,000 divided by 5 years multiplied by two lease years remaining of the Operating Term).

### 3. **USE AND OPERATION**

3.1 Permitted Use. Tenant shall use the Premises for the Permitted Use and for no other purpose. Tenant shall, at all times, operate the Premises in strict conformance with the Permitted Use

attached as Exhibit B herein. In the event Tenant desires to use the Premises for any purpose other than the Permitted Use (including selling an item or service outside the scope of the Permitted Use), Tenant must submit a request to Director. Director may, in his/her sole and absolute discretion approve or deny such request. Any such decision shall be binding on Tenant. Without limiting the generality of this Section 3.1 or any of the requirements set forth on Exhibit B, Tenant shall not operate any Facility under any name or brand other than a name or brand specifically permitted or required herein, or as otherwise approved by Director. Without limiting Section 5 [Assignment or Subletting], Tenant shall not, without the prior consent of Director, engage a third-party operator to conduct the Permitted Use or otherwise operate on the Premises.

3.2 Exclusivity Issues. Insofar as City is legally able to bind itself, so long as Tenant is not in default under this Lease, (a) Tenant's rights regarding the sale and delivery of duty free / in-bond merchandise shall be exclusive at the Airport; and (b) City shall use commercially reasonable efforts within legally permissible limits to prevent, monitor, or remedy actions by persons or entities that may constitute commercial interference with Tenant's exclusive rights as they relate to the sale and delivery of duty free / in-bond merchandise at the Airport. Except as provided in the preceding sentence, City shall have no duty to prevent, monitor, or remedy actions by persons or entities that may constitute commercial interference with Tenant's exclusive rights hereunder. Tenant acknowledges and agrees that City grants Tenant no exclusive right as it relates to the sale of duty paid and/or luxury merchandise and that City may arrange with others for the same or similar activities at the Airport.

3.3 Operation of Business. Subject to the terms of this Lease, Tenant will operate Tenant's business in the Premises so as to maximize Gross Revenues (as defined below) and in accordance with the requirements set forth on Exhibit B relating to, among other things, merchandise requirements and price requirements. Without limiting the generality of the foregoing, Tenant shall (a) conduct the business in a first-class, businesslike, safe, efficient, courteous and accommodating manner; (b) carry a wide-range stock of merchandise of top character, quantity, and quality; and (c) employ sufficient and experienced staff. In the event Director shall give notice to Tenant that any of the foregoing covenants (a) - (c) are not being satisfied, Tenant shall immediately discontinue or remedy the objectionable practice. In addition, Tenant shall make reasonable change when requested, give directions, and assist the public generally. Tenant shall take all reasonable measures in every proper manner to maintain, develop, and increase the business conducted by it. Tenant will not divert or cause to be diverted any business from the Airport.

3.4 Support Space. Tenant shall not use more than fifteen percent (15%) of each Facility for support spaces such as administrative, storage, or preparation area uses.

3.5 Hours of Operation. Tenant will carry on its business diligently and continuously in the Premises and will keep the Premises open for business not less than sixteen (16) consecutive hours each day seven (7) days per week, including holidays. Director or his/her representative may, from time to time, modify, expand, or reduce such required hours of operation, in which event, Tenant will remain open during such revised hours. Similarly, Tenant may, from time to time, request to revise its hours of operation. Such change must be approved by Director or his/her representative, in writing, prior to its occurrence. Tenant may not, at any time, vacate or abandon the Premises.

3.6 Prices. Tenant's prices for merchandise comprising the Permitted Use shall be the same or comparable to Tenant's catalog, if any, and other duty free airport concessions operating in U.S. airports, as determined by Director to be comparable. Should any variance in prices on specific items be deemed too great, the Director will have the right to require a price adjustment on the specified items.



3.7 References to Airport. Tenant shall not, without the prior written consent of Director, reference City or the Airport for any purpose other than the address of the business to be conducted by Tenant in the Premises, nor will Tenant do or permit anything in connection with Tenant's business or advertising which in the judgment of City may reflect unfavorably on City or the Airport, or confuse or mislead the public as to the relationship between City and Tenant.

3.8 Other Operational Requirements.

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

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

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

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

3.9 Prohibited Activities. Without limiting any other provision herein, Tenant shall not, without the prior written consent of Director: (a) use or permit the use of the Premises for the conduct of an outlet store or a second-hand store; (b) advertise any distress, fire, bankruptcy, liquidation, relocation, closing, or going-out-of-business sales; (c) use or permit the use on the Premises of any pinball machines, videogames, or other devices or equipment for amusement or recreation, or any vending machines, newspaper racks, pay telephones, or other coin, token, or credit card-operated devices; (d) allow the ordering of goods or services to take place from locations outside of the Premises or physically deliver goods or services to customers outside of the Premises; (e) cause or permit anything to be done in or about the Premises, or bring or keep anything thereon, which might (i) increase in any way the rate of fire insurance on the Terminal Building Complex or any of its contents; (ii) create a nuisance; (iii) in any way

relating to works of improvement and all other applicable laws relating to construction projects, the provisions of the American with Disabilities Act, 42 U.S.C. Section 12101 et seq. and any governmental regulations with respect thereto (the "ADA") (including, without limitation, the requirements under the ADA for the purposes of "public accommodations", as that term is used in the ADA), the provisions of Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. Section 794 et seq.) and any governmental regulations with respect thereto, Title 24 of the California Administrative Code, all Environmental Laws, the Airport Rules, the Tenant Improvement Guide (including any design criteria) as the same may be amended from time to time (the "TI Guide"), and the requirements referenced in Section 19 [City and Other Governmental Provisions] hereof, and with respect to duty free / in-bond activities, all customs, duties and other regulations of the U.S. Customs and Border Protection and other federal agencies.

#### 4. RENT

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

(a) "Gross Revenues" means:

- (i) The retail price of all merchandise sold and services rendered in, on, about or from the Premises or from such other locations on the Airport where Tenant operates, whether through a subtenant, concessionaire, or by any other person or entity herein permitted, regardless of where or by whom any such merchandise is prepared, whether such sales be for cash or on credit, and in case of sales on credit, whether or not payment is actually made; provided, however, that in the event merchandise is returned by a customer and the sale is canceled, the selling price shall be excluded; plus,
- (ii) The full amount of all deposits forfeited by customers in connection with any business of Tenant in, on, about or from the Premises; plus,
- (iii) The full amount of all orders for goods or services accepted by Tenant in, on, about or from the Premises, whether or not to be filled or performed at any other place, and the full amount of all orders accepted by Tenant elsewhere, but to be filled or performed in, on, about or from the Premises or from such other locations on the Airport where Tenant operates. In determining Gross Revenues, retail sales taxes shall not be included; plus,
- (iv) The retail price of all merchandise orders placed on the Premises from Tenant's catalog.

The following shall not be included in Gross Revenues:

- (i) Any exchange of merchandise between facilities of Tenant where such exchange is made solely for the convenient operation of Tenant's business and not for the purpose of consummating a sale made in, at or from the demised premises, or for the purpose of depriving City of the benefit of sales which would otherwise be made in or at the Premises;

obstruct or interfere with the rights of others in the Terminal Building Complex or injure or annoy them; (f) commit or suffer to be committed any waste upon the Premises; (g) use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose; (h) place any loads upon the floor, walls or ceiling which endanger the structure or obstruct the sidewalk, passageways, stairways or escalators, in front of, within, or adjacent to the Terminal Building Complex; (i) use any advertising or promotional medium that may be seen, heard, or otherwise experienced outside the Premises (such as searchlights, barkers or loudspeakers); (j) distribute handbills or circulars to Airport patrons or to cars in the parking lots, or engage in any other advertising in the Airport; (k) engage in any activity on the Airport outside the Premises for the recruitment or solicitation of business; or (l) do or permit to be done anything in any way tending to injure the reputation of City or appearance of the Airport.

3.10 Audit of Operations. At any time and from time to time, City may conduct an audit of Tenant's operations at the Airport (in addition to City's right to audit pursuant to Section 4.9 [Books and Records; Audit Rights]) to confirm that such operations comply with the requirements set forth in this Lease. Tenant shall cooperate with such audit. In the event such audit shows that Tenant is not complying with such requirements, without limiting City's ability to call a default hereunder, City may require that Tenant reimburse City for the costs of such audit. Tenant shall promptly remedy any noncompliance shown in any such audit.

3.11 Representative of Tenant. Tenant shall at all reasonable times retain in the Terminal Building Complex at least one qualified representative authorized to represent and act for it in matters pertaining to its operation, and shall keep Director informed in writing of the identity of each such person. The initial person so designated is the Initial Tenant Representative.

3.12 Investigation Reports. Tenant shall, if required by Director, employ, at its own cost and expense, an investigative organization approved by Director for the purpose of making investigations and observations and preparing a written report of the carrying out of any pricing policies, revenue control, and operational techniques being used on the Premises. Tenant shall cause such investigation and observation to be made at such reasonable times and in the manner directed by Director, and the investigator shall deliver forthwith to Director a true and complete written copy of any such reports made to Tenant.

3.13 Compliance with Laws. Tenant shall promptly, at its sole expense, cause the Premises (including any permitted Alterations (as defined below)), and Tenant's and any Tenant Entity's use of the Premises and operations at the Airport under the Lease, to comply at all times with all Laws (as defined below). Notwithstanding the foregoing, this Section 3.14 shall not impose on Tenant any liability to make any structural alterations to the Terminal's roof, foundation, bearing and exterior walls and subflooring; or heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical and communications systems of the Terminal (collectively "**Building Systems**"), except to the extent the same is (i) installed by Tenant or Tenant Entity, or (ii) necessitated by Tenant's Alterations or by any act or omission of Tenant or any Tenant Entity. As used herein, the term "**Laws**" shall mean all applicable present and future laws, ordinances, rules, judgments, decrees, injunctions, regulations, permits, authorizations, orders and requirements, to the extent applicable to Tenant or the Premises or any portion of any of them whether or not in the contemplation of the parties, including, without limitation, all consents or approvals required to be obtained from, and all rules and regulations of, and all building and zoning laws of, all federal, state, county and municipal governments, the departments, bureaus, agencies or commissions thereof, authorities, board of officers, any national or local board of fire underwriters, or any other body or bodies exercising similar functions, including the Occupational Safety and Health Act and all other applicable laws relating to workplace safety or toxic materials, substances or wastes, Title XV (commencing with Section 3082) of the California Civil Code

- (ii) Returns to the shippers or manufacturers;
- (iii) Cash or credit refunds to customers on transactions (not to exceed the actual selling price of the item returned) otherwise included in Gross Revenues;
- (iv) Discount sales to employees, to the extent of the discount.
- (b) “**MAG Adjustment Date**” has the meaning given it in the Summary.
- (c) “**Enplanements**” means the total number of passengers boarding airline carriers.
- (d) “**First Month**” means the month in which the Rent Commencement date occurs.
- (e) “**Lease Year**” means the period commencing on the Rent Commencement Date and terminating on December 31<sup>st</sup> of the year in which the Rent Commencement Date occurs, and each subsequent 12 month period except that the final Lease Year may be less than 12 months.

4.2 Monthly Rent Payments. Tenant shall pay, as rent for the Premises, estimated monthly Base Rent in advance, on or before the first (1st) day of each calendar month of the Term, as set forth below:

(a) On or before the Rent Commencement Date and the first (1st) day of each calendar month thereafter, Tenant shall pay the current monthly Minimum Annual Guarantee to the City’s Rent Payment Address.

(b) On or before the twentieth (20th) day of each calendar month after the First Month, concurrently with its submission of the Sales Reports described below covering the prior calendar month, Tenant shall pay to City the deficiency, if any, between the Base Rent payable by Tenant with respect to such prior calendar month (based on the Gross Revenues achieved with respect to such prior month), and the amount actually paid by Tenant pursuant to the foregoing subsection (a) with respect to such month.

(c) All payments hereunder shall be paid to City’s Rent Payment Address, or at such other place as City may from time to time designate in writing.

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

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

4.3 Adjustments to Minimum Annual Guarantee. On each MAG Adjustment Date, the Minimum Annual Guarantee shall be adjusted such that the Minimum Annual Guarantee with respect to the upcoming Lease Year is increased to equal the greater of ninety percent (90%) of Base Rent for the prior Lease Year or the Minimum Annual Guarantee for the prior Lease Year.

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

4.5 *Left Blank by Agreement of the Parties.*

4.6 Sales Reports. On or before the twentieth (20th) calendar day of each month after the First Month, Tenant shall submit to City, at City's Sales Report Address, a report (the "Sales Report") showing all Gross Revenues achieved with respect to the prior month by location, segregated by each source or general type of article sold or service rendered, including but not limited to product category, total number of transactions and passenger destinations. Such report shall be certified as being true and correct by Tenant and shall otherwise be in form and substance satisfactory to Director. Director may from time to time request, and Tenant shall so provide, additional sales information not included above. As described below, City shall have the right, in addition to all other rights herein, to impose a fine in the event Tenant shall fail to submit such Sales Report timely.

4.7 Annual Certification of Sales and Adjustment. Within ninety (90) days after the end of each Lease Year, Tenant shall submit to Director at City's Deposit/Annual Report Notice Address an unqualified year-end financial report certified by an independent Certified Public Accountant showing Gross Revenues achieved with respect to the prior Lease Year ("Annual Report"). If such report shows that the total Base Rent actually paid by Tenant with respect the prior Lease Year was less than the Base Rent payable with respect to such year, then Tenant shall immediately pay to City such deficiency. If such report shows that the total Base Rent actually paid by Tenant with respect to such prior Lease Year exceeded the Base Rent payable with respect to such year, then such excess shall be applied as a rent credit to amounts next coming due. Notwithstanding anything to the contrary herein, in no event will the Base Rent payable to City be less than the Minimum Annual Guarantee. In addition, Tenant shall submit to City such other financial or other reports as Director may reasonably require. Tenant shall also certify any Gross Revenues earned prior to the Rent Commencement Date and a true-up for that period alone will take place in the manner stated immediately above.

4.8 Point of Sale Requirements. Tenant shall install in the Premises a Point of Sale (POS) system with at least one POS unit, which includes mobile POS or other similar electronic devices. All POS used on the Premises shall meet current industry standards for transmitting, capturing and recording transactions and data in a secure fashion while protecting Card Holder Data, and shall register every transaction made in, on, about or from the Premises, including every type of Gross Revenue in real time, and an electronic or hard copy record of each. Said POS shall be accessible to and subject to inspection or audit by Director or his/her agent upon request. All cash receipts must include Tenant's identification thereon. Each sale or other transaction from the Premises must be recorded at the time of each sale or other transaction, in the presence of the customer, unless otherwise approved by the Director. Each customer must be issued a receipt or sales slip for each transaction, which transaction must be recorded either on a serially numbered sales slip or digital record produced by the POS. City shall have the right during business hours to examine the totals of the POS(s) used in the Premises and to inspect for compliance with this section. City shall have the right to implement a common-use POS. If City exercises such right, Tenant must, at its cost, purchase and install the necessary equipment, train its employees, and thereafter use, such equipment to take part in such system. Tenant shall ensure a capability within its mobile POS for the installation of Airport and Airport partner applications that can be integrated with Tenant's POS to exchange data and make possible future opportunities to support passengers and airlines with vouchers coupons and other mutually beneficial marketing programs.

4.9 Books and Records; Audit Rights.

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

are that Tenant shall keep and maintain records which will enable City and City's Controller to ascertain, determine and audit, if so desired by City, clearly and accurately, Gross Revenues achieved, and the adequacy of the form and method of Tenant's reporting thereof.

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

4.10 Other Reports and Submissions. Tenant shall furnish City with such other financial or statistical reports as Director or his/her representative from time to time may reasonably require. Upon request by Director, Tenant shall furnish to City copies of its quarterly California sales and use tax returns covering the Premises operations as well as that pertinent portion of both the California and Federal income tax returns and possessory interest tax returns on the Premises operations at the time of filing, and any amendments thereto. All copies of such returns must be certified as exact copies of the original documents by a Certified Public Accountant. Tenant and all subtenants (to the extent permitted) shall also promptly notify Director of and furnish to City copies of any audit reports covering this facility conducted by the California Franchise Tax Board or the Board of Equalization.

4.11 Additional Rent. Tenant shall pay to City any and all charges and other amounts under this Lease as additional rent, at the same place where Base Rent is payable. City shall have the same remedies for a default in the payment of any such additional charges as for a default in the payment of Base Rent.

4.12 Prepay Rent. Notwithstanding anything to the contrary herein, in the event Tenant shall fail to pay any Rent when due hereunder, Director shall have the right to require Tenant to pay estimated monthly Rent (including Base Rent, utility charges, and all other amounts) one (1) month in advance of when such payment would otherwise be due. Such prepayment would be based on the highest monthly Rent previously due from Tenant. Such right shall be exercised by a notice from Director to Tenant, which notice may be given any time after such default by Tenant, regardless of whether the same is cured by Tenant.

4.13 Nature of Lease. Under no circumstances will City be expected or required to make any payment of any kind with respect to Tenant's use or occupancy of the Premises, except as may be otherwise expressly set forth herein. Except as may be specifically and expressly provided otherwise in this Lease, no occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, shall relieve Tenant from its liability to pay all of the sums required by this Lease, or relieve Tenant from any of its other obligations under this Lease, or give Tenant the right to terminate this Lease in whole or in part. Tenant waives any rights now or hereafter conferred upon it by any existing or future Law to terminate this Lease or to receive any abatement, diminution, reduction, or suspension of payment of such sums, on account of such occurrence or situation. Except as otherwise expressly provided herein, this Lease shall continue in full force and effect, and the obligations of Tenant hereunder shall not be released, discharged or otherwise affected, by reason of: (a) any damage to or

destruction of the Premises or any portion thereof or any improvements thereon, or any taking thereof in eminent domain; (b) any restriction or prevention of or interference with any use of the Premises or the improvements or any part thereof; (c) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other proceeding relating to City, Tenant or any constituent partner of Tenant or any sublessee, licensee or concessionaire or any action taken with respect to this Lease by a trustee or receiver, or by any court, in any proceeding; (d) any claim that Tenant or any other person has or might have against City; (e) any failure on the part of City to perform or comply with any of the terms hereof or of any other agreement with Tenant or any other person; (f) any failure on the part of any sublessee, licensee, concessionaire, or other person to perform or comply with any of the terms of any sublease or other agreement between Tenant and any such person; (g) any termination of any sublease, license or concession, whether voluntary or by operation of law; or (h) any other occurrence whatsoever, whether similar or dissimilar to the foregoing in each case whether or not Tenant shall have notice or knowledge of any of the foregoing. The obligations of Tenant hereunder shall be separate and independent covenants and agreements. Tenant hereby waives to the full extent permitted by applicable law, all rights now or hereafter conferred by statute, including without limitation the provisions of Civil Code Sections 1932 and 1933, to quit, terminate or surrender this Lease or the Premises or any part thereof, or to any abatement, suspension, deferment, diminution or reduction of any rent hereunder.

#### 4.14 Severe Decline in Enplanements.

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

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

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



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

(c) MAG Reinstatement. Once there is Enplanement Stabilization for Two Months, then the MAG is reinstated, and will continue unless and until there is another Severe Decline in Enplanements for Three Months, as follows:

(i) Such MAG reinstatement will be effective on the first day of the month following an Enplanement Stabilization for Two Months.

(ii) In the event the MAG is reinstated after the commencement of a "Lease Year" or other period of time for annual gross revenue accumulation specified in the Lease, the MAG will be pro-rated accordingly.

(d) Determination of Enplanements and "True-Ups". The parties acknowledge that Enplanements for a particular month are not usually determined as of the first day of the following month. Accordingly, unless and until the MAG is suspended as provided herein, Tenant shall continue to pay the MAG as and when required hereunder. If and when a MAG is later suspended pursuant to Section 4.14(b), then City shall issue a rent credit to reflect any resulting overpayment in rent. If and to the extent Tenant has any outstanding obligations to City hereunder, City may decline to issue such rent credit or reduce the rent credit by the amount outstanding. If and when the MAG is reinstated, Tenant shall pay to City within five (5) days after City shall have given notice to Tenant of such reinstatement, the deficiency, if any, between the Percentage Rent paid by Tenant and the MAG, for the month(s) following such reinstatement.

(e) Enplanement Determinations. Director shall have the sole discretion as to the Enplanement calculations, and whether there exists a Severe Decline in Enplanements for Three Months and/or an Enplanement Stabilization for Two Months.

(f) No Effect. The MAG suspension shall have no effect on (i) any adjustments specified in this Lease to be made to the MAG; or (ii) the Deposit Amount.

(g) Effect of Default. Notwithstanding anything to the contrary herein, in the event Tenant shall default under this Lease or any Other Agreement, the Director may immediately

reinstate the MAG, without giving to Tenant the benefit of any notice or right to cure as may otherwise be provided under this Lease or Other Agreement.

(h) Subtenants. Without limiting the provisions of Section 5 [Assignment or Subletting] if Tenant subleases any portion of the Premises, Tenant shall offer to such subtenant(s) the same types of MAG suspension as are provided herein.

(i) Example. The following is intended merely to provide an example of the mechanics of the foregoing provisions, and the numbers provided are not intended to be projections or guarantees. Assume (a) the Premises are in Boarding Area G, (b) the Lease is awarded on February 15, 2013, and (c) Reference Year Enplanements for Boarding Area G, by Reference Month in the Reference Year (January 1- December 31, 2012) are:

	<u>Jan</u> <u>2012</u>	<u>Feb</u> <u>2012</u>	<u>Mar</u> <u>2012</u>	<u>Apr</u> <u>2012</u>	<u>May</u> <u>2012</u>	<u>Jun</u> <u>2012</u>	<u>Jul</u> <u>2012</u>	<u>Aug</u> <u>2012</u>	<u>Sep</u> <u>2012</u>	<u>Oct</u> <u>2012</u>	<u>Nov</u> <u>2012</u>	<u>Dec</u> <u>2012</u>
Enp (‘000)	800	800	800	900	1,100	1,200	1,300	1,200	1,100	900	800	900

Assume further that actual Enplanements for Boarding Area G by Reference Month for 2015 are as follows:

	<u>Jan</u> <u>2015</u>	<u>Feb</u> <u>2015</u>	<u>Mar</u> <u>2015</u>	<u>Apr</u> <u>2015</u>	<u>May</u> <u>2015</u>	<u>Jun</u> <u>2015</u>	<u>Jul</u> <u>2015</u>	<u>Aug</u> <u>2015</u>	<u>Sep</u> <u>2015</u>	<u>Oct</u> <u>2015</u>	<u>Nov</u> <u>2015</u>	<u>Dec</u> <u>2015</u>
Enp (‘000)	900	900	700	700	800	800	900	1100	700	800	700	800
% of Ref. Month	112.5	112.5	87.5	<del>77.8</del>	<del>72.2</del>	<del>72.2</del>	69.2	91.7	63.6	<u>88.9</u>	<u>87.5</u>	88.9

(j) Then, there occurs a Severe Decline in Enplanements for Three Months with respect to the months April 2015 – June 2015, and the MAG shall be suspended effective July 1, 2015. There occurs an Enplanement Stabilization for Two Months with respect to the months October 2015 – November 2015, and the MAG shall be reinstated effective December 1, 2015.

## 5. ASSIGNMENT OR SUBLETTING

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

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

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

5.4 Subleasing. Without limiting City’s discretion in approving or disapproving a proposed Transfer, if and to the extent City permits Tenant to sublease the Premises, the following shall apply: (a) Prior to negotiating a sublease agreement, Tenant must submit to City a sublease proposal for City’s approval, which approval may be granted or withheld in City’s absolute and sole discretion; (b) Every sublease must be on a Standard Sublease Agreement form approved by Director, and the actual sublease must be approved by Director; (c) Each and every covenant, condition or obligation imposed upon Tenant by this Lease and each and every right, remedy or benefit afforded City by this Lease will not be impaired or diminished as a result of any sublease agreement; (d) Without the Director’s prior written consent, no subtenant shall be obligated to pay to Tenant, and Tenant shall not be permitted to charge any rent, percentage rent, bonus rent, key money, administration fee, or the like, which exceeds, in the aggregate, the total sums that Tenant pays to City under this Lease for the portion of the Premises subleased by the subtenant under its sublease agreement. If, notwithstanding the foregoing prohibition, Tenant receives any Excess Rent, Tenant shall pay the same to City; (e) Tenant assigns to City all rent and other payments due from all subtenants under any sublease agreements; provided however, Tenant is hereby granted a license to collect rents and other payments due from subtenants under their sublease agreements until the occurrence of an Event of Default, regardless of whether a notice of that default has been given by City. At any time, at Director’s option, City may notify a subtenant of this assignment and upon such notice the subtenant will pay its rent other payments directly to City. City will credit Tenant with any rent received by City under such assignment, but the acceptance of any payment on account of rent from any subtenants as a result of an Event of Default will in no manner whatsoever serve to release Tenant from any liability under this Lease. No payment of rent or any other payment by a subtenant directly to City or other acceptance of such payments by City, regardless of the circumstances or reasons therefor, will in any manner whatsoever be deemed an attornment by the subtenants to City in the absence of either a specific written agreement signed by City to such an effect.

5.5 Excess Rent. City shall receive fifty percent (50%) of all Excess Rent payable in connection with any Transfer. “**Excess Rent**” means the excess of all consideration received by Tenant from a Transfer above Rent payable under this Lease, after deducting unamortized construction costs paid for by Tenant, reasonable attorneys’ fees and any other reasonable out-of-pocket costs paid by Tenant as a result of the Transfer. Excess Rent shall include any assignment consideration.

5.6 Acceptance of Rent. The acceptance of rent by City from any person or entity does not constitute a waiver by City of any provision of this Lease or a consent to any Transfer. City's consent to one Transfer will not be deemed to be a consent to any subsequent Transfer. If Tenant defaults in the performance of any of the terms of this Lease, City may proceed directly against the transferor (or if there has been more than one Transfer, then each transferor) without necessity of exhausting remedies against Tenant. City may consent to subsequent Transfers or amendments or modifications to this Lease with transferees, without notifying transferor (or if there has been more than one Transfer, then each transferor) and without obtaining its or their consent thereto and such action shall not relieve any transferor of liability under this Lease as amended.

5.7 Waiver. Tenant waives the provisions of Civil Code Section 1995.310 with respect to remedies available to Tenant should City fail to consent to a Transfer.

## 6. TAXES, ASSESSMENTS AND LIENS

### 6.1 Taxes.

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

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

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

## 7. INVESTMENTS; ALTERATIONS

7.1 City's Construction Obligations. City will deliver some or all Facilities to Tenant for Tenant's Work in phases, with the "Commencement Date" occurring on the date on which City delivers to Tenant the first Facility. As to each Facility delivered, City shall perform those construction

obligations described as "City's Work" on *Exhibit D*, if any. Aside from any construction obligations described on *Exhibit D*, if any, City shall have no obligation to perform any construction work or improvements to prepare the Premises for Tenant's Work.

7.2 Tenant's Work. Without limiting Tenant's obligations under Section 7.3 below, Tenant must, at Tenant's sole cost and expense, construct, install and provide all of the "Initial Improvements" by performing, at minimum, "Tenant's Work" as described on *Exhibit D* of this Lease. Tenant shall perform Tenant's Work in strict conformity with the construction schedule provided by Tenant and approved by the Director. Tenant's Work includes the construction of leasehold improvements, trade fixtures and signs. Tenant acknowledges that Tenant's Work may be required to be performed in phases, in which case, in any given phase, Tenant may be granted access to only a portion of the Premises to perform a portion of Tenant's Work.

7.3 Minimum Investment. Prior to the Rent Commencement Date (except as to the Terminal 1 Facility and the Retail Plaza, if constructed, which will be delivered on later dates), Tenant, at Tenant's sole cost and expense, shall refurbish, redecorate and modernize the interiors and exteriors of the Premises, and otherwise complete the initial improvements necessary and appropriate to commence operations in the Premises (the "**Initial Improvements**"), at a minimum cost of the Minimum Investment Amount or less than said amount provided Tenant complies with the Concessions Design Guidelines and receives Design Review Committee approval. As-Built drawings of fire sprinkler and fire alarm systems must be submitted to Building Inspection and Code Enforcement ("**BICE**") in AUTOCAD ".DWG" format within 30 days of issuance of a Temporary Certificate of Occupancy (TCO). Within ninety (90) days after substantial completion of the Initial Improvements, Tenant must provide to City an electronic **PDF** file and a hard copy set of as-built drawings and an affidavit, signed under penalty of perjury by both Tenant and Tenant's general contractor, architect or construction manager, stating the hard construction costs paid by Tenant to complete the Initial Improvements, together with copies of paid invoices and lien waivers substantiating the costs stated in the affidavit. Such "hard construction costs," which must equal or exceed the Minimum Investment Amount, may include architectural and engineering fees, provided the credit for such costs against the Minimum Investment Amount shall not exceed fifteen percent (15%) of the Minimum Investment Amount. The minimum investment may not include financial costs, interest, inventory, pre-opening expenses, inter-company charges related to construction, business interruption, overhead, or debt service on any construction loan, or any charges paid by Tenant to an affiliate. If Director disputes the amount of investment claimed by Tenant, Director may, at City's expense, hire an independent appraiser to determine the cost of the investment. If the independent appraiser determines that the investment is less than the Minimum Investment Amount, the deficiency, as well as City's costs of hiring such independent appraiser, will be paid to City by Tenant within sixty (60) days of City's written notice of the appraiser's determination. At any time, upon three (3) business days' notice, City or its representatives may audit all of Tenant's books, records and source documents related to the hard construction costs paid by Tenant to complete the Initial Improvements. If the audit reveals that the hard construction costs paid by Tenant were less than those stated in Tenant's affidavit, then Tenant must pay City for the costs incurred by City in connection with the audit plus any additional deficiency discovered between the hard construction costs paid by Tenant and the Minimum Investment Amount. City, at City's sole discretion, may require that Tenant comply with the terms of a Tenant Work Letter setting forth additional terms relating to Tenant's construction of the Initial Improvements, and Tenant hereby agrees to comply with any such Tenant Work Letter.

7.4 City's Approval Rights. Tenant shall not make or suffer to be made any alterations, additions, or improvements to the Premises or any part thereof or attach any fixtures or equipment thereto, including the Initial Improvements (collectively, "**Alterations**") without City's prior written consent. Without limiting the generality of the foregoing, the initial layout and design of all Alterations shall

conform to Commission's established architectural design scheme for the Terminal Building Complex, the Airport's Concessions Design Guidelines and the provisions of Airport's TI Guide. Prior to the construction of any Alterations (including the Initial Improvements), Tenant shall submit detailed plans and specifications to the Airport's Design Review Committee and BICE for approval. Tenant shall include with its plans and specifications schematic renderings of the public retail area, materials, a color board(s) and a detailed layout of the overall merchandising plan. All decisions by the Airport's Design Review Committee shall be made subject to the approval of the Airport Commission. City's approval rights will extend to and include architectural and aesthetic matters and City reserves the right to reject any designs submitted and to require Tenant to resubmit designs and layout proposals until they meet City's approval. The Rent Commencement Date shall not be extended if City elects to reject any designs or layout proposals submitted. In the event of disapproval by City of any portion of the plans and specifications, Tenant will promptly submit necessary modifications and revisions thereof. No changes or alterations will be made in said plans or specifications after approval by City. City agrees to act within a reasonable period of time upon such plans and specifications and upon requests for approval of changes or alterations in said plans or specifications. One copy of plans for all improvements or subsequent changes therein or alterations thereof will, within fifteen (15) days after approval thereof by City, be signed by Tenant and deposited with City as an official record thereof. In the event Tenant fails to have its Initial Improvement designs approved by the Airport's Design Review Committee and BICE by the date that is thirty (30) days in advance of the Commencement Date, the Director may elect to impose fines of two hundred fifty dollars (\$250) per day until such time that approvals are received. All Alterations shall be effected through the use of contractors approved by City who shall furnish to City upon demand such completion bonds and labor and material bonds as City may require so as to assure completion of the Alterations on a lien-free basis. If the estimated cost of any Alterations exceeds \$750,000 per building permit, unless otherwise exempt, Tenant agrees to comply with the Local Hiring Policy set forth in San Francisco Administrative Code Section 6.22(G) as further described in Section 19.28 of this Lease. Without limiting the requirements set forth above, Tenant acknowledges and agrees that Tenant may be required to obtain approvals for any desired Alterations from BICE.

**7.5 Structures and Fixtures.** Tenant shall, at its sole cost and expense, design, erect, construct and install all fixtures, furnishings, carpeting, decorations, finishings, equipment, counters, or other necessary Alterations for its operation under this Lease. All construction shall be in conformity with the latest edition of the Airport TI Guide, and in conformity with the approved plans and specifications submitted by Tenant, and shall meet all applicable local building codes and ordinances as well as all other Laws. Tenant shall submit complete plans and specifications to Director, and prior to the commencing any construction work, obtain Director's written approval of said plans and specifications. Tenant shall make no change or alteration in the plans and specifications without prior written approval of Director. In the event that Tenant fails to submit plans and specifications which meet the approval of City within thirty (30) days after the Effective Date, City may terminate this Lease. Nothing herein contained shall be construed to delay or otherwise affect the Commencement Date or the Rent Commencement Date.

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

**7.7 Title to Alterations.** Title to all Alterations of such a nature as cannot be removed without damage to the Terminal, including all carpeting, decorations, finishings, and counters, shall vest in City on the Expiration Date. All other equipment of such nature as to constitute trade fixtures shall remain the

property of Tenant. On the Expiration Date, Tenant may remove said trade fixtures or Director may require that Tenant remove same at Tenant's expense. Prior to the Rent Commencement Date, Tenant shall submit to Director a proposed list of such trade fixtures; said list may be subsequently amended during the term of this Lease to reflect any changes in said trade fixtures. Tenant agrees and understands that "fixture" is defined as a thing affixed to premises that is bolted, nailed, screwed, cemented and/or plastered. For the purpose of this Lease, fixtures shall include slat wall, counters and the like, attached to the physical structure of the premises in any matter whatsoever. On the Expiration Date, all fixtures, other than those deemed trade fixtures by City, shall become the property of City. Tenant shall be liable to City for City's costs for storing, removing and disposing of Tenant's personal property, and of restoration of the Premises.

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

(a) Mid-Term Refurbishment. Tenant shall refurbish, redecorate and modernize the interior and exterior of the public retail area of the Premises, after the seventh (7th) anniversary of the Rent Commencement Date (the "**Mid-Term Refurbishment Date**"). On or before the date that is thirty (30) days before the Mid-Term Refurbishment Date, Tenant shall give notice to Director of its intended plan with respect to such mid-term refurbishment requirements. All such mid-term refurbishments will be subject to the requirements of this Lease, including Director's approval rights under this Section 7. Tenant shall invest \$750 per square foot of the Premises for its mid-term refurbishment. Tenant shall complete all such refurbishments on or before the date that is six (6) months after the Mid-Term Refurbishment Date. Tenant's refurbishment obligations under this Section shall not apply those areas constructed or reconstructed as part of the Retail Plaza (as further described in Section 1.6), as to which improvements the Minimum Investment Amount shall apply.

(b) The Director shall be authorized to waive, reduce or delay such requirement provided Director is satisfied that Tenant has developed and shall implement a maintenance program necessary or appropriate to keep the facilities in good condition throughout the term of the Lease.

(c) Upon completion of the mid-term refurbishment, Tenant shall provide City with documentation of expenses as specified in Section 7.3 [Minimum Investment] for mid-term refurbishment investment.

7.9 Labor Harmony. The parties acknowledge that it is of the utmost importance to City, Tenant, and all those occupying or to occupy space in the Domestic and International Terminals that there be no interruption in the progress of the construction work. Accordingly, City and Tenant agree as follows:

(a) In any contract or undertaking which Tenant may make with a contractor for work in the Premises, provision shall be made for the dismissal from the job of workmen whose work is unskilled or otherwise objectionable, in the Director's (and, for this purpose, "**the Director**" shall include a reference to the Airport's Architect) reasonable judgment. Tenant shall cause any such workmen to be discharged from the project within twenty-four (24) hours after Director shall give notice to Tenant requiring such discharge.

(b) Tenant shall use, and Tenant shall require its contractor and subcontractors to use, their respective best efforts to prevent work stoppages on the Premises, and/or elsewhere on the

Airport, to the extent attributable to work being performed on the Premises, irrespective of the reason of any such stoppage. In the event that the conduct or presence of any employee(s) of Tenant or Tenant's contractor(s) or subcontractor(s) causes a labor dispute or work stoppage, Tenant shall have such employee(s) immediately removed from the Airport upon Director's request.

(c) Tenant shall include, and shall cause its contractor to include, the following clause in all contracts with its general contractors and subcontractors:

#### Harmony Clause

There shall be no manifestations on the project of any dispute between any labor organization and any Tenant contractor or subcontractor, including but not limited to, any area standards picketing against said contractor or subcontractor. Should there be any manifestation of a labor dispute between any Tenant contractor or subcontractor and any union, which results in a stoppage of work on the part of said contractor or subcontractor's employees or the employees of any other employer or supplier on the project or at the Airport, which in the sole judgment of the Director will cause, or is likely to cause, unreasonable delay in the progress of construction or operation of any business at the Airport, then upon written notice from Director, Tenant shall declare the contractor or subcontractor in default of its contract, and upon such notice, Tenant shall have the right to take such steps as are necessary to finish the uncompleted portion of the work to be performed by the contractor or subcontractor.

(d) Without limiting the generality of indemnities elsewhere in this Lease, Tenant shall indemnify, defend, and hold harmless City and each City Entity for any and all Losses which arise from the actions taken pursuant to this Section 7.9.

## 8. UTILITIES

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

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

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

8.4 Waiver of Damages. Tenant hereby expressly waives any and all claims for damages arising or resulting from failures or interruptions of utility services to the Premises, including electricity,



gas, water, plumbing, sewage, telephone, communications, heat, ventilation, air conditioning, or for the failure or interruption of any public or passenger conveniences. Without limiting the generality of the foregoing, Tenant shall have no rights to abate Rent or terminate this Lease in the event of any interruption or failure of utility services.

## 9. MAINTENANCE AND REPAIR

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

9.2 Accessibility Disclosure. California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist ("CASp") to determine whether the property meets all applicable construction-related accessibility requirements. The law does not require landlords to have the inspections performed. Tenant is hereby advised that the Premises have not been inspected by a CASp. Pursuant to California Civil Code Section 1938(e), City provides the following disclosure to Tenant: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises." In the event Tenant elects to obtain a CASp inspection of the Premises, Tenant shall provide notice of such to City, and Tenant agrees that Tenant shall bear the cost of the inspection and any necessary repairs within the Premises.

9.3 Tenant's Maintenance Obligations. Tenant, at all times during the Term and at Tenant's sole cost and expense, shall keep the Premises and every part thereof in good condition and repair, and in compliance with applicable Laws, including the replacement of any facility of City used by Tenant which requires replacement by reason of Tenant's use thereof, excepting (a) ordinary wear and tear, and (b) damage due to casualty with respect to which the provisions of Section 14 [Damage or Destruction] shall apply. Tenant hereby waives all right to make repairs at the expense of City or in lieu thereof to vacate the

Premises as provided by California Civil Code Section 1941 and 1942 or any other law, statute or ordinance now or hereafter in effect. In addition, if it becomes reasonably necessary during the term of this Lease, as determined by Director, Tenant will, at its own expense, redecorate and paint fixtures and the interior of the Premises and improvements, and replace fixtures, worn carpeting, curtains, blinds, drapes, or other furnishings. Without limiting the generality of the foregoing, at all times, Tenant shall be solely liable for the facade of the Premises separating the Premises from the Terminal common areas, including the external face thereof, all windows and display areas therein, and all finishes thereon. As provided below in Section 15.4 [City's Right to Perform], in the event Tenant fails to perform its maintenance and repair obligations hereunder, City shall have the right to do so, at Tenant's expense. The parties acknowledge and agree that Tenant's obligations under this Section are a material part of the bargained-for consideration under this Lease. Tenant's compliance obligations shall include, without limitation, the obligation to make substantial or structural repairs and alterations to the Premises (including the Initial Improvements), regardless of, among other factors, the relationship of the cost of curative action to the Rent under this Lease, the length of the then remaining Term hereof, the relative benefit of the repairs to Tenant or City, the degree to which curative action may interfere with Tenant's use or enjoyment of the Premises, the likelihood that the parties contemplated the particular requirement involved, or the relationship between the requirement involved and Tenant's particular use of the Premises. No occurrence or situation arising during the Term, nor any present or future requirement, whether foreseen or unforeseen, and however extraordinary, shall relieve Tenant of its obligations hereunder, nor give Tenant any right to terminate this Lease in whole or in part or to otherwise seek redress against City. Tenant waives any rights now or hereafter conferred upon it by any existing or future requirement to terminate this Lease, to receive any abatement, diminution, reduction or suspension of payment of Rent, or to compel City to make any repairs to comply with any such requirement, on account of any such occurrence or situation.

9.4 Tenant's Pest Management Obligations. Tenant shall, at all times during the Term of the Lease and at Tenant's sole cost and expense, keep the Premises and every part thereof in a clean and sanitary condition, including having a pest control program in place in accordance to the Airport's standards. Tenant must adhere to the following set of standards in accordance with the City and County of San Francisco (CCSF) Environment Code, Chapter 3, including but not limited to the following:

- (a) Using pesticides on the CCSF allowed list only when application is made on City property, i.e. SFO.
- (b) Any pesticide exemption must be granted by the San Francisco Department of Environment before using non-approved pesticides.
- (c) All posting requirements regarding pesticide application must be adhered to prior to use.
- (d) Pesticide use reports shall be made to Airport IPM (Integrated Pest Management) staff by the 10th of the month following application.
- (e) Tenant must provide Airport the name of the pest control company providing service within thirty (30) days from the effective date of the service contract.

## 10. SIGNS AND ADVERTISING

10.1 Signs and Advertising. Tenant may, at its own expense, install and operate necessary and appropriate identification signs on the Premises, subject to the approval of Director and the requirements

of the TI Guide, including but not limited to, the approval of the number, size, height, location, color and general type and design. Such approval shall be subject to revocation by Director at any time. Without express written consent of Director, Tenant shall not display any advertising, promotional, or informational pamphlets, circulars, brochures or similar materials.

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

## 11. PROMOTIONAL PROGRAM

City, at City's election, may conduct, or cause to be conducted, advertising, promotional and public relations program for the general purpose of promoting the name and identity of the Airport and the concession business conducted in the Airport. If City elects to do so, City will determine in its sole discretion the composition and manner of implementation of that program, and Tenant must participate in promotions, advertising and public relations, and cause its store manager to attend promotional program meetings. In such event, from and after the Rent Commencement Date (but prorated for any partial month), Tenant must pay to City, as a contribution to the cost of the promotional program, the Promotional Charge, in advance on the first (1st) day of each month during the Term.

## 12. WAIVER; INDEMNITY; INSURANCE

12.1 Waiver. Tenant, on behalf of itself and its assigns, waives its rights to recover from and releases and discharges City and all City Entities and their respective heirs, successors, personal representatives and assigns, from any and all Losses whether direct or indirect, known or unknown, foreseen or unforeseen, that may arise on account of or in any way connected with (a) the physical or environmental condition of the Premises or any law or regulation applicable thereto, (b) any damage that may be suffered or sustained by Tenant or any person whosoever may at any time be using or occupying or visiting the Premises, or in or about the Airport, or (c) any act or omission (whether negligent, non-negligent or otherwise) of Tenant or any Tenant Entity, whether or not such Losses shall be caused in part by any act, omission or negligence of any of City, Commission, its members, or any officers, agents, and employees of each of them, and their successors and assigns (each, a "**City Entity**"), except if caused by the sole gross negligence or willful misconduct of City. In connection with the foregoing waiver, Tenant expressly waives the benefit of Section 1542 of the California Civil Code, which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR EXPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM MUST HAVE MATERIALLY AFFECTED THE SETTLEMENT WITH THE DEBTOR."

12.2 Indemnity. In addition to, and not in limitation of the foregoing, Tenant shall forever indemnify, defend, hold and save City and each City Entity free and harmless of, from and against any and all Losses caused in whole or in part by or arising out of (a) any act or omission of Tenant or any Tenant Entity, including Tenant's contractors and/or agents, (b) Tenant's use of the Premises or operations at the Airport, or (c) any default by Tenant or any Tenant Entity hereunder, whether or not Losses shall be caused in part by any act, omission or negligence of City or any City Entity. The

foregoing indemnity shall not extend to any Loss caused by the sole gross negligence or willful misconduct of City.

12.3 Losses. For purposes hereof "Losses" shall mean any and all losses, liabilities, judgments, suits, claims, damages, costs and expenses (including reasonable attorneys' fees, investigation costs, remediation costs, and court costs), of any kind or nature.

12.4 Immediate Obligation to Defend. Tenant specifically acknowledges that it has an immediate and independent obligation to defend City or the City Entity from any claim which is actually or potentially within the scope of the indemnity provision of this Section 12 or any other indemnity provision under this Lease, even if such allegation is or may be groundless, fraudulent or false, and such obligation arises at the time such claim is tendered to Tenant and continues at all times thereafter.

12.5 Notice. Without limiting the foregoing waiver and indemnity, each party hereto shall give to the other prompt and timely written notice of any Loss 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.

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

- (a) Workers' Compensation Insurance with Employer's Liability limits not less than \$1,000,000 each accident.
- (b) Commercial General Liability Insurance with limits not less than \$1,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Contractual Liability, Personal Injury, Products Liability and Completed Operations Coverages.
- (c) Commercial Automobile Liability Insurance with limits not less than \$2,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including owned, non-owned, and hired auto coverages.
- (d) Property Insurance on all causes of loss-special form covering all Premises tenant improvements, fixtures, and equipment insuring against the perils of fire, lightning, extended coverage perils, vandalism and malicious mischief in the demised premises in an amount equal to the full replacement value of tenant improvements, fixtures and equipment.
- (e) Business Interruption Insurance insuring that the Base Rent will be paid to City for a period of at least one (1) year if Tenant is unable to operate its business at the Premises. Said insurance shall also cover business interruptions due to failures or interruptions in telecommunications services, strikes, employee lockouts, riots, or other civil commotion. To calculate Base Rent during any such interruption of business, the Gross Revenues for the 12-month period immediately preceding the incident causing the business interruption shall be used.

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

the foregoing, all Commercial General Liability Insurance and Commercial Automobile Liability Insurance policies shall be endorsed to provide the following:

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

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

(c) That the insurance company shall give thirty (30) days prior written notice to City of cancellation, non-renewal or reduction in coverage or limits.

12.8 Subrogation. Notwithstanding anything to the contrary herein, Tenant waives any right of recovery against City for any loss or damage to the extent the same is required to be covered by Tenant’s insurance hereunder. Tenant shall obtain from its insurer a waiver of subrogation the insurer may have against City or any City Entity in connection with any Loss covered by Tenant’s property insurance and worker’s compensation insurance policies.

### 13. DEPOSIT

13.1 Form of Deposit. On or before the date specified by the Director, Tenant will deliver to Director, at City’s Deposit/Annual Report Notice Address, a security deposit (the “**Deposit**”) in the Deposit Amount. Such Deposit shall be in the form of (a) a surety bond payable to City, naming City as obligee, in the form attached as Exhibit C-1, and otherwise in form satisfactory to City’s City Attorney, and issued by a surety company satisfactory to Director, or a (b) letter of credit naming City as beneficiary, in the form attached as Exhibit C-2, and otherwise in form satisfactory to City’s City Attorney, issued by a bank satisfactory to Director. Notwithstanding the foregoing, as may be provided in the Airport Commission Policy on Concession Deposits (Resolution No. 04-0153, August 3, 2004) as the same may be amended from time to time, Tenant shall be permitted to submit as the Deposit alternative forms of deposit as specified therein. Such Deposit shall be kept in full force and effect during the Term to ensure the faithful performance by Tenant of all covenants, terms, and conditions of this Lease, including payment of Rent. The sum designated as the “Deposit” is and will remain the sole and separate property of City until actually repaid to Tenant (or at City’s option, the last assignee (if any) of Tenant’s interest hereunder), said sum not being earned by Tenant until all provisions precedent for its payment to Tenant have been fulfilled. For Deposits in the form of a bond or letter of credit, Tenant shall cause the surety company or bank issuing such bond or letter of credit to give Director notice in writing by registered mail at least forty-five (45) days prior to the expiration date of such bond or letter of credit of its intention not to renew said bond or letter of credit.

13.2 Maintenance of Deposit. Tenant shall cause the Deposit to be increased on January 1<sup>st</sup> following the third, sixth, ninth, twelfth and fourteenth (if the Lease is extended pursuant to Section 1.6) full Lease Year, to an amount equal to one-half (1/2) of the adjusted MAG, all at Tenant’s cost, except that during any holdover period, the Deposit Amount shall equal one-half (1/2) of Tenant’s previous 12 months’ Rent. Tenant shall cause the bond or letter of credit to be kept in full force and effect during the Term and any holdover period to ensure the faithful performance by Tenant of all covenants, terms, and conditions of this Lease, including payment of Rent. If and to the extent City accepts a Deposit which has an expiration date or cancellation/termination provision, Tenant shall cause the surety company or bank issuing such bond or letter of credit to give Director notice in writing by registered mail at least forty-five

(45) days prior to the expiration date of such bond or letter of credit of its intention not to renew or to cancel or terminate said bond or letter of credit. Tenant shall cause such bond or letter of credit to be renewed, extended, or replaced, at Tenant's sole cost, at least thirty (30) days before the expiration date or cancellation date of the bond or letter of credit, with another bond or letter of credit that complies with the requirements herein. If Tenant fails to do so, City may, without notice to Tenant, draw on the entirety of the Deposit and hold the proceeds thereof as security hereunder. Tenant shall cause all notices to be given to City under this Section 13 to be given to City at City's Deposit/Annual Report Notice Address.

13.3 Use of Deposit. If Tenant fails to pay Rent or otherwise defaults with respect to any provision of this Lease, City may use, apply or retain all or any portion of the Deposit for the payment of Rent or other charge in default or for the payment of any other sum to which City may become obligated by reason of Tenant's default or to compensate City for any loss or damage which City may suffer thereby. If City so uses or applies all or any portion of the Deposit, Tenant, within ten (10) days after request therefore, shall deposit other security acceptable to Director with City in an amount sufficient to restore the Deposit to the full amount thereof, and Tenant's failure to do so shall be a breach of this Lease. City shall not be required to keep the Deposit or any proceeds thereof, as applicable, separate from its general accounts. Any proceeds of the Deposit is and will remain the sole and separate property of City until actually repaid to Tenant, said sum not being earned by Tenant until all provisions precedent for its payment to Tenant have been fulfilled. If Tenant performs all of Tenant's obligations hereunder, the Deposit, or the proceeds thereof, or so much thereof as has not theretofore been applied by City, shall be returned, without payment of interest or other increment for its use, to Tenant (or, at City's option, to the last assignee, if any, of Tenant's interest hereunder) within sixty (60) days after the expiration of the Term, and after Tenant has vacated the Premises. No trust relationship is created herein between City and Tenant with respect to the Deposit or any proceeds thereof. Tenant waives to the fullest extent permitted by law the provisions of California Civil Code Section 1950.7 or other similar laws, which provide that a landlord may claim from a security deposit only those sums reasonably necessary to remedy a default in the payment of rent, to repair damage caused by a tenant, or to clean the premises.

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

## 14. DAMAGE OR DESTRUCTION

### 14.1 Partial Destruction of Premises.

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

(b) In the event such improvements are damaged by any casualty not covered under an insurance policy required to be maintained pursuant to this Lease, then City may, at City's option, either

(i) repair such damage as soon as reasonably possible at City's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Tenant within sixty (60) days after the date of occurrence of such damage of City's intention to terminate this Lease. Such termination shall be effective as of the date specified in such notice.

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

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

14.2 Total Destruction of Premises. If the improvements on the Premises are totally destroyed during the Term from any cause whether or not covered by the insurance required herein (including any destruction required by any authorized public authority), this Lease shall automatically terminate as of the date of such total destruction.

14.3 Partial Destruction of Terminal Building. If fifty percent (50%) or more of the Terminal Building shall be damaged or destroyed by an insured risk, or if fifteen percent (15%) or more of the Terminal Building shall be damaged or destroyed by an uninsured risk, notwithstanding that the Premises may be unaffected thereby, each of City and Tenant may elect to terminate this Lease by giving notice to the other within ninety (90) days from the date of occurrence of such damage or destruction, in which event the Term of this Lease shall expire on a mutually agreed upon date and Tenant shall thereupon surrender the Premises to City as required hereunder.

14.4 Damage Near End of the Term. If during the last year of the Term the improvements on the Premises are partially destroyed or damaged, City may at City's option terminate this Lease as of the date of occurrence of such damage by giving written notice to Tenant of City's election to do so within thirty (30) days after the date of occurrence of such damage. In the event City elects to terminate this Lease pursuant hereto, Tenant shall have the right within ten (10) days after receipt of the required notice to notify City in writing of Tenant's intention to repair such damage at Tenant's expense, without reimbursement from City, in which event this Lease shall continue in full force and effect and Tenant shall proceed to make such repairs as soon as reasonably possible.

14.5 No Abatement of Rent; Tenant's Remedies.

(a) If the Premises are partially destroyed or damaged, Tenant shall have no claim against City for any damage suffered by reason of any such damage, destruction, repair or restoration. Tenant waives California Civil Code Sections 1932(2) and 1933(4) providing for termination of hiring upon destruction of the thing hired.

(b) In no event will Tenant be entitled to an abatement of Rent resulting from any damage, destruction, repair, or restoration described herein.

## 15. DEFAULT; REMEDIES

15.1 Event of Default. The occurrence of any one or more of the following events shall constitute a breach of this Lease and an "Event of Default" hereunder:

(a) Tenant shall fail duly and punctually to pay Rent, or to make any other payment required hereunder, when due to City, and such failure shall continue beyond the date specified in a written notice of such default from Director, which date shall be no earlier than the third (3rd) day after the effective date of such notice. Notwithstanding the foregoing, in the event there occurs two (2) defaults in the payment of Rent or other payment during the Term, thereafter Tenant shall not be entitled to, and City shall have no obligation to give, notice of any further defaults in the payment of Rent or other payment. In such event, there shall be deemed to occur an Event of Default immediately upon Tenant's failure to duly and punctually pay Rent or other payment hereunder; or

(b) Tenant shall become insolvent, or shall take the benefit of any present or future insolvency statute, or shall make a general assignment for the benefit of creditors, or file a voluntary petition in bankruptcy, or a petition or answer seeking an arrangement for its reorganization, or the readjustment of its indebtedness under the federal bankruptcy laws, or under any other law or statute of the United States or of any state thereof, or consent to the appointment of a receiver, trustee, or liquidator of any or substantially all of its property; or

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

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

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

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

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

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

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



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

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

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

15.3 Remedies. Upon the occurrence and during the continuance of an Event of Default, City shall have the following rights and remedies in addition to all other rights and remedies available to City at law or in equity:

(a) City shall have the rights and remedies provided by California Civil Code Section 1951.2 (damages on termination for breach), including the right to terminate Tenant's right to possession of the Premises. In the event this Lease is so terminated, City may recover from Tenant the following damages:

(i) The "**worth at the time of the award**" of the unpaid Rent earned to the time of termination hereunder;

(ii) The "**worth at the time of the award**" of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided;

(iii) The "**worth at the time of the award**" of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; and

(iv) Any other amount necessary to compensate City for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom.

For purposes of the foregoing, the "**worth at the time of award**" of the amounts referred to in clauses (i) and (ii) above is computed by allowing interest at the lower of 18% per annum and the highest rate legally permitted under applicable law. The "**worth at the time of award**" of the amount referred to in clause (iii) above is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1% (one percent). Notwithstanding any other provisions hereof, any efforts by City to mitigate damages caused by

Tenant's breach of this Lease shall not constitute a waiver of City's right to recover damages hereunder and shall not affect the right of City to indemnification pursuant to the provisions of Section 12 [Waiver; Indemnity; Insurance] hereof. For purposes of calculating City's damages comprising Base Rent based on Gross Revenues, that amount will be computed by determining the highest Base Rent accruing in any Lease Year during the immediately preceding three Lease Years or such shorter period if the Term prior to termination was less than three Lease Years. Tenant agrees that Tenant's obligations under this Lease, including the payment of Base Rent, are independent covenants and are not conditioned on the covenants or warranties of City.

(b) City shall have the right and remedy described in California Civil Code Section 1951.4. City may elect not to terminate this Lease and let this Lease continue, in which case City may enforce all its rights and remedies under this Lease, including the right to recover Rent as it becomes due under this Lease. Acts of maintenance or preservation or efforts to relet the Premises or the appointment of a receiver upon the initiative of City to protect City's interest under this Lease shall not constitute a termination of Tenant's right to possession.

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

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

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

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

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

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

15.6 Cumulative Rights. The exercise by City of any remedy provided in this Lease shall be cumulative and shall in no way affect any other remedy available to City under law or equity.

15.7 Prepayment. As provided in Section 4.12 [Prepay Rent], if Tenant defaults in the payment of Rent, City may require prepayment of Rent. Such right shall be in addition to and not in lieu of any and all other rights hereunder, or at law or in equity.

15.8 Fines. If Tenant defaults under any of the Lease terms specified below, Director may elect to impose the fines described below on the basis of per violation per day:

<u>Violation</u>	<u>Section</u>	<u>Fine</u>
Violation of Premises Clause	1	\$300
Violation of Use Section	3	\$300
Failure to open Facility by the Rent Commencement Date	2.3	\$1,000
Failure to cause operations or Premises to comply with Laws	3.14	\$300
Failure to submit required documents and reports, including Sales Reports and Annual Reports	4	\$100
Construction or Alterations without City approval	7	\$500
Failure to obtain DRC and BICE approval prior to the Rent Commencement Date	7.3	\$250

<u>Violation</u>	<u>Section</u>	<u>Fine</u>
Failure to make required repairs	9	\$300
Unauthorized advertising or signage	10	\$100
Failure to obtain/maintain insurance	12	\$300
Failure to obtain or maintain Deposit	13	\$300
Failure to abide by any other term in this Lease		\$300

Director's right to impose the foregoing Fines shall be in addition to and not in lieu of any and all other rights hereunder, in the Airport Rules, or at law or in equity. City shall have no obligation to Tenant to impose Fines on or otherwise take action against any other tenant at the Airport. Such Fines shall constitute "Additional Rent."

15.9 City Lien. Tenant hereby grants to City a lien upon and security interest in all fixtures, chattels and personal property of every kind now or hereafter to be placed or installed in or on the Premises, and agrees that in the event of any default on the part of Tenant City has all the rights and remedies afforded the secured party by the chapter on "Default" of the Uniform Commercial Code in the state wherein the Premises are located on the date of this Lease and may, in connection therewith, also (a) enter on the Premises to assemble and take possession of the collateral, (b) require Tenant to assemble the collateral and make its possession available to the City at the Premises, (c) enter the Premises, render the collateral, if equipment, unusable and dispose of it in a manner provided by the Uniform Commercial Code on the Premises. Tenant agrees to execute such instruments as City may request to perfect such lien, and designates also Director his attorney-in-fact for purposes of executing such documents.

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

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

## 16. SURRENDER

Tenant shall at the end of the Term surrender to City the Premises and all Alterations, additions and improvements thereto in the same condition as when received, ordinary wear and tear and damage by fire, earthquake, act of God, or the elements excepted. Tenant shall be responsible for ensuring that its telecommunications cables and all other low voltage special systems cables are capped off and service is discontinued. Subject to City's right to require removal pursuant to Section 7 [Investments; Alterations] hereof, all Alterations and improvements installed in the Premises by Tenant (other than Tenant's trade fixtures), shall, without compensation to Tenant, then become City's property free and clear of all claims to or against them by Tenant or any third person. In the event that Tenant shall fail to remove its personal

property, including trade fixtures, on or before the Expiration Date, such personal property shall become City's property free and clear of all claims to or against them by Tenant or any third person. In such event, City shall not be responsible for any Losses related to such personal property, and City may sell or otherwise dispose of such personal property.

## 17. HAZARDOUS MATERIALS

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

(a) **"Environmental Laws"** shall mean any federal, state, local or administrative law, rule, regulation, order or requirement relating to industrial hygiene, environmental conditions or Hazardous Materials, whether now in effect or hereafter adopted, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), the Resources Conservation and Recovery Act of 1976 (42 U.S.C. Section 9601, et seq.), the Clean Water Act (33 U.S.C. Section 1251, et seq.), the Safe Drinking Water Act (14 U.S.C. Section 401, et seq.), the Hazardous Materials Transportation Act (49 U.S.C. Section 1801, et seq.), the Toxic Substance Control Act (15 U.S.C. Section 2601, et seq.), the California Hazardous Waste Control Law (California Health and Safety Code Section 25100, et seq.), the Porter-Cologne Water Quality Control Act (California Water Code Section 13000, et seq.), and the Safe Drinking Water and Toxic Enforcement Act of 1986 (California Health and Safety Code Section 25249.5, et seq.)

(b) **"Hazardous Material"** shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is deemed by any federal, state or local governmental authority to pose a present or potential hazard to human health or safety or to the environment. "Hazardous Material" includes, without limitation, any material or substance defined as a "hazardous substance," or "pollutant" or "contaminant" pursuant to any Environmental Law; any asbestos and asbestos containing materials; petroleum, including crude oil or any fraction thereof, natural gas or natural gas liquids; and any materials listed in the Airport's TI Guide.

(c) **"Release"** when used with respect to Hazardous Material shall include any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or disposing into or inside the Building, or in, on, under or about the Property.

(d) **"Pre-Existing Condition"** means the existence of any Hazardous Materials on the Premises immediately prior to the Commencement Date.

### 17.2 Tenant's Covenants.

(a) Neither Tenant nor any Tenant Entity shall cause any Hazardous Material to be brought upon, kept, used, stored, generated or disposed of in, on or about the Premises or the Airport, or transported to or from the Premises or the Airport; provided that Tenant may use such substances as are customarily used in retail sales so long as such use is in compliance with all applicable Environmental Laws and the Airport's TI Guide.

(b) Tenant shall handle Hazardous Materials discovered or introduced on the Premises during the Term in compliance with all Environmental Laws and the Airport's TI Guide. Tenant shall protect its employees and the general public in accordance with all Environmental Laws.

(c) In the event Tenant becomes aware of the actual or possible Release of Hazardous Materials on the Premises or elsewhere on the Airport, Tenant shall promptly give notice of the same to City. Without limiting the generality of the foregoing, Tenant shall give notice to City of any of the following: (i) notice of a Release of Hazardous Materials given by Tenant, any subtenant, or other occupant to any governmental or regulatory agency; (ii) notice of a violation or potential or alleged violation of any Environmental Law received by Tenant, any subtenant, other occupant on the Premises from any governmental or regulatory agency; (iii) any inquiry, investigation, enforcement, cleanup, removal, other action that is instituted or threatened by a government or regulatory agency; (iv) any claim that is instituted or threatened by a third party against Tenant, any subtenant, or other occupant on the Premises that relates to Hazardous Materials; and (v) any notice of termination, expiration, or material amendment to any environmental operating permit or license necessary for the use of the Premises.

(d) Any items containing Hazardous Materials in use by Tenant, which are customarily used in retail, must be disposed of in a manner consistent with all applicable Environmental Laws.

(e) At Director's request, Tenant shall provide information necessary for City to confirm that Tenant is complying with the foregoing covenants.

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

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

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

## 18. EMINENT DOMAIN

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

- (a) ***Award*** means all compensation, sums or value paid, awarded or received for a Taking, whether pursuant to judgment, agreement, settlement or otherwise.
- (b) ***Date of Taking*** means the earlier of: (a) the date upon which title to the portion of the Premises taken passes to and vests in the condemnor, and (b) the date on which Tenant is dispossessed
- (c) ***Taking*** means a taking or damaging, including severance damage, by eminent domain, inverse condemnation or for any public or quasi-public use under applicable Laws. A Taking may occur pursuant to the recording of a final order of condemnation, or by voluntary sale or conveyance in lieu of condemnation or in settlement of a condemnation action.

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

18.3 Total Taking; Automatic Termination. If a total Taking of the Premises occurs, then this Lease shall terminate as of the Date of Taking.

18.4 Partial Taking; Election to Terminate.

- (a) If a Taking of any portion (but less than all) of the Premises occurs, then this Lease shall terminate in its entirety if all of the following exist: (i) the partial Taking renders the remaining portion of the Premises untenable or unsuitable for continued use by Tenant for the Permitted Use; (ii) the condition rendering the Premises untenable or unsuitable either is not curable or is curable but City is unwilling or unable to cure such condition; and (iii) City elects to terminate.
- (b) If a partial Taking of a material portion of the Terminal occurs, City shall have the right to terminate this Lease in its entirety.
- (c) City's elections to terminate this Lease pursuant to this Section 18 shall be exercised by City's giving notice to Tenant on or before the date that is one hundred twenty (120) days after the Date of Taking, and thereafter this Lease shall terminate upon on the thirtieth (30th) day after such notice is given.

18.5 Tenant's Monetary Obligations; Award. Upon termination of this Lease pursuant to an election under Section 18.4 [Partial Taking; Election to Terminate] above, then: (a) Tenant's obligation to pay Base Rent shall continue up until the date of termination, and thereafter shall cease, and (b) City shall be entitled to the entire Award in connection therewith (including any portion of the Award made for the value of the leasehold estate created by this Lease), and Tenant shall have no claim against City for the

value of any unexpired term of this Lease, provided that Tenant may make a separate claim for compensation, and Tenant shall receive any Award made specifically to Tenant, for Tenant's relocation expenses or the interruption of or damage to Tenant's business or damage to Tenant's personal property.

18.6 Partial Taking; Continuation of Lease. If a partial Taking of the Premises occurs and this Lease is not terminated in its entirety under Section 18.4 [Partial Taking; Election to Terminate] above, then this Lease shall terminate as to the portion of the Premises so taken, but shall remain in full force and effect as to the portion not taken, and the rights and obligations of the Parties shall be as follows: (a) the Minimum Annual Guarantee shall be adjusted by Director to reflect the Taking, and (b) City shall be entitled to the entire Award in connection therewith (including, but not limited to, any portion of the Award made for the value of the leasehold estate created by this Lease). Tenant shall have no claim against City for the value of any unexpired Term of this Lease, provided that Tenant may make a separate claim for compensation. Tenant shall retain any Award made specifically to Tenant for Tenant's relocation expenses or the interruption of or damage to Tenant's business or damage to Tenant's personal property.

18.7 Temporary Takings. Notwithstanding anything to contrary in this Section, if a Taking occurs with respect to all or any part of the Premises for a limited period of time not in excess of one hundred eighty (180) consecutive days, this Lease shall remain unaffected thereby, and Tenant shall continue to pay Rent, and to perform all of the terms, conditions and covenants of this Lease. In the event of such temporary Taking, City shall be entitled to receive any Award.

## 19. CITY AND OTHER GOVERNMENTAL PROVISIONS

19.1 MacBride Principles - Northern Ireland. Pursuant to San Francisco Administrative Code §12.F.5, the City and County of San Francisco urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City and County of San Francisco urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing below, the person executing this agreement on behalf of Tenant acknowledges that he or she has read and understood this section.

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

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

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



independent investigation of all aspects of the business venture contemplated by this Lease and the Permitted Use.

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

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

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

19.8 Federal Nondiscrimination Regulations.

(a) Tenant understands and acknowledges that City has given to the United States of America, acting by and through the Federal Aviation Administration, certain assurances with respect to nondiscrimination, which have been required by Title VI of the Civil Rights Act of 1964, as effectuated by Title 49 of the Code of Federal Regulations, Subtitle A - Office of the Secretary of Transportation, Part 21, as amended, 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 Tenant agrees as follows: "*Tenant in its operation at and use of San Francisco International Airport, covenants that (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, 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, and (3) that the grantee, licensee, permittee, etc., shall use the Premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Subtitle A, Office of the Secretary of Transportation, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation Effectuations of Title VI of the Civil Rights Act of 1964, and as said regulations may be amended.*"

(b) This agreement is subject to the requirements of the U.S. Department of Transportation's regulations, 49 CFR part 23. (i) The concessionaire or contractor agrees that it will not discriminate against any business owner because of the owner's race, color, national origin, or sex in connection with the award or performance of any concession agreement, management contract, or

subcontract, purchase or lease agreement, or other agreement covered by 49 CFR part 23. (ii) The concessionaire or contractor agrees to include the above statements in any subsequent concession agreement or contract covered by 49 CFR part 23 that it enters and cause those businesses to similarly include the statements in the further agreements.

(c) This agreement is subject to the requirements of the U.S. Department of Transportation's regulations, 49 CFR part 27, which require, among other things, that all televisions and audio-visual displays installed in passenger areas have high-contrast captioning capability, which is at all times enabled.

19.9 Federal Affirmative Action Regulations. Tenant assures that it will undertake an affirmative action program as required by 14 CFR Part 152, Subpart E, to insure that no person shall on the grounds of race, creed, color, national origin, or sex be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. Tenant assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. Tenant assures that it will require that its covered sub-organizations provide assurances to Tenant that they similarly will undertake affirmative action programs and that they will require assurances from their sub-organizations, as required by 14 CFR Part 152, Subpart E, to the same effect.

19.10 City's Nondiscrimination Ordinance.

(a) In the performance of this agreement, Tenant agrees not to discriminate against any employee, City and County employee working with Tenant, applicant for employment with Tenant, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations operated by Tenant, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

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

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

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

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

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

19.12 Prevailing Rates of Wage. Tenant shall abide by Airport Commission Policy No. 80-0031, requiring that Tenant pay prevailing rates of salaries, wages, and employee benefits, to its employees working at San Francisco International Airport pursuant to this Lease.

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

19.14 No Relocation Assistance; Waiver of Claims. Tenant acknowledges that it will not be a displaced person at the time this Lease is terminated or expires by its own terms, and Tenant fully releases, waives, and discharges forever any and all claims or other Losses, against and covenants not to sue City or any City Entity under any Laws, including any and all claims for relocation benefits or assistance from City under federal and state relocation assistance laws. Without limiting Section 5 [Assignment or Subletting], Tenant shall cause any Transferee to expressly waive entitlement to any and all relocation assistance and benefits in connection with this Lease. Tenant shall indemnify, defend, and hold harmless City for any and all Losses arising out of any relocation assistance or benefits payable to any Transferee.

19.15 Drug-Free Workplace. Tenant 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 Tenant or any Tenant Entity shall constitute a default hereunder.

19.16 Compliance with Americans With Disabilities Act. Tenant acknowledges that, pursuant to the ADA, programs, services and other activities provided by a public entity, whether directly or through a contractor, must be accessible to the disabled public. Tenant 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, including but not limited to, Titles II and III of the Americans with Disabilities Act of 1990 (42 U.S.C. Section 12101 et seq.), Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. Section 794 et seq.), 28 CFR Parts 35 and 36, and 49 CFR Parts 27, 37 and 38.. Tenant agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Lease, and further agree that any violation of this prohibition on the part of Tenant, its employees, agents or assigns shall constitute a material breach of this Lease.

19.17 Sunshine Ordinance. In accordance with S.F. Administrative Code Section 67.24(e), contractors' bids, responses to RFPs and all other records of communications between the City and persons or firms seeking contracts shall 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 or other benefits until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

19.18 Pesticide Prohibition. Tenant shall comply with the provisions of Section 308 of Chapter 3 of the San Francisco Environment 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 Tenant to submit to the Airport an integrated pest management ("**IPM**") plan that (a) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Tenant may need to apply to the Premises during the terms of this Lease, (b) describes the steps Tenant will take to meet the City's IPM Policy described in Section 300 of the Pesticide Ordinance and (c) identifies, by name, title, address and telephone number, an individual to act as Tenant's primary IPM contact person with the City. In addition, Tenant shall comply with the requirements of Sections 303(a) and 303(b) of the Pesticide Ordinance.

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

19.20 Labor Peace/Card Check Rule. Without limiting the generality of other provisions herein requiring Tenant to comply with all Airport Rules, Tenant shall comply with the Airport's Labor Peace/Card Check Rule, adopted on February 1, 2000, pursuant to Airport Commission Resolution No. 00-0049 (the "**Labor Peace/Card Check Rule**"). Capitalized terms not defined in this provision are defined in the Labor Peace/Card Check Rule. To comply with the Labor Peace/Card Check Rule, Tenant shall, among other actions: (a) Enter into a Labor Peace/Card Check Agreement with any Labor Organization which requests such an agreement and which has registered with the Director or his/her designee, within thirty (30) days after the Labor Peace/Card Check Agreement has been requested; (b) Not less than thirty (30) days prior to the modification of this Lease, Tenant shall provide notice by mail to any Labor Organization or federation of labor organizations which have registered with the Director or his/her designee ("**registered labor organization**"), that Tenant is seeking to modify or

extend this Lease; (c) Upon issuing any request for proposals, invitations to bid, or similar notice, or in any event not less than thirty (30) days prior to entering into any Subcontract, Tenant shall provide notice to all registered labor organizations that Tenant is seeking to enter into such Subcontract; and (d) Tenant shall include in any subcontract with a Subcontractor performing services pursuant to any Covered Contract, a provision requiring the Subcontractor to comply with the requirements of the Labor Peace/Card Check Rule. If the Director determines that Tenant shall have violated the Labor Peace/Card Check Rule, the Director shall have the option to terminate this Lease, in addition to exercising all other remedies available to him/her.

19.21 Requiring Minimum Compensation.

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

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

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

(d) Tenant shall maintain employee and payroll records as required by the MCO. If Tenant fails to do so, it shall be presumed that the Tenant paid no more than the minimum wage required under State law.

(e) The City is authorized to inspect Tenant's premises and conduct interviews with employees and conduct audits of Tenants.

(f) Tenant's commitment to provide the Minimum Compensation is a material element of the City's consideration for this Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Tenant fails to comply with these requirements. Tenant agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public will incur for Tenant's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(g) Tenant understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Agreement for violating the MCO, Tenant fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Tenant fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

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

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

19.22 Airport Intellectual Property. Pursuant to Resolution No. 01-0118, adopted by the Airport Commission on April 18, 2001, the Airport Commission affirmed that it will not tolerate the unauthorized use of its intellectual property, including the SFO logo, CADD designs, and copyrighted publications. All proposers, bidders, contractors, tenants, permittees, and others doing business with or at the Airport (including subcontractors and subtenants) may not use the Airport intellectual property, or any intellectual property confusingly similar to the Airport intellectual property, without the Director's prior consent.

19.23 Requiring Health Benefits for Covered Employees. Tenant 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 by reference and made a part of this Agreement as though fully set forth herein. The text of the HCAO is available on the web at [www.sfgov.org/olse](http://www.sfgov.org/olse). Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12Q.

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

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

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

Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to City.

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

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

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

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

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

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

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

(k) Tenant shall allow City to inspect Tenant's premises and have access to Tenant's employees in order to monitor and determine compliance with HCAO.

(l) City may conduct random audits of Tenant to ascertain its compliance with HCAO. Tenant agrees to cooperate with City when it conducts such audits.

(m) If Tenant is exempt from the HCAO when this Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but Tenant later enters into an agreement or agreements that cause Tenant's aggregate amount of all agreements with City to reach \$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 Tenant and the City to be equal to or greater than \$75,000 in the fiscal year.

19.24 Notification of Limitations on Contributions. San Francisco Campaign and Governmental Conduct Code (the “**Conduct Code**”) Section 1.126 prohibits any person who contracts with the City for selling or leasing any land or building to or from the City whenever such transaction would require the approval by a City elective officer or the board on which that City elective officer serves, from making a contribution to such an officer, or candidate for such an office, or committee controlled by such officer or candidate at any time from the commencement of negotiations for such contract until the termination of negotiations for such contract or three 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. San Francisco Ethics Commission Regulation 1.126-1 provides that negotiations are commenced when a prospective tenant first communicates with a City officer or employee about the possibility of obtaining a specific contract. This communication may occur in person, by telephone or in writing, and may be initiated by the prospective tenant or a City officer or employee. Negotiations are completed when a lease is finalized and signed by the City and the Tenant. Negotiations are terminated when the City and/or the prospective tenant end the negotiation process before a final decision is made to award the contract. Through its execution of this Agreement, Tenant acknowledges that it is familiar with the provisions of Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and sections 87100 et seq. and sections 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitute a violation of said provisions and agrees that if it becomes aware of any such fact during the term of this Agreement it shall immediately notify City.

19.25 Food Service Waste Reduction Ordinance. San Francisco's Food Service Waste Reduction Ordinance, Ordinance No. 295-06, SF Environment Code Chapter 16 (Ordinance) requires restaurants, retail food vendors, City departments, City contractors and City lessees to use biodegradable/compostable or recyclable disposable food service ware when selling or distributing prepared foods, unless there is no “affordable” alternative. The Ordinance also prohibits such businesses and the City from using disposable food service ware made from polystyrene (Styrofoam™). Violation of the Ordinance may result in contractual damages, a criminal fine, administrative penalty, or other civil enforcement action.

19.26 *Left blank by agreement of the parties.*

19.27 Worker Retention Policy. Tenant acknowledges the Airport's Worker Retention Policy and agrees to comply with its requirements.

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



the Local Hiring Requirements when required. Tenant's failure to comply with its obligations under this Section shall constitute a material breach of this Lease. A contractor's or subcontractor's failure to comply with this Section will enable City to seek the remedies specified in San Francisco Administrative Code Section 23.62 against the breaching party..

(a) For each contractor and subcontractor performing improvements in amounts exceeding the "Threshold Amount" for a "Covered Project" (as such terms are as defined in the Local Hire Policy), Tenant shall comply with the applicable mandatory participation levels for Project Work Hours performed by Local Residents, Disadvantaged Workers, and Apprentices set forth in Administrative Code Section 6.22(G)(4).

(b) For Covered Projects estimated to cost more than \$1,000,000, prior to commencement of any work subject to the Local Hire Policy, Tenant shall prepare and submit to City and OEWD for approval a "local hiring plan" for the project in accordance with Administrative Code Section 6.22(G)(6)(a).

(c) Tenant shall comply with applicable recordkeeping and reporting requirements and shall cooperate in City inspections and audits for compliance with the Local Hire Policy, including allowing access to employees of its contractors and subcontractors and other witnesses at the Premises.

(d) Tenant agrees that (i) Tenant shall comply with all applicable requirements of the Local Hire Policy; (ii) the provisions of the Local Hire Policy are reasonable and achievable by Tenant; and (iii) Tenant has had a full and fair opportunity to review and understand the terms of the Local Hire Policy.

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

## 20. GENERAL PROVISIONS

20.1 Notices. Except as otherwise specifically provided in this Lease, any notice, consent, request, demand, or other correspondence given under this Lease shall be in writing and given by delivering the notice in person or by commercial courier, or by sending it by first-class mail, certified mail, return receipt requested, or overnight courier, return receipt requested, with postage prepaid or by electronic mail (if an electronic mail address is provided), to: (a) Tenant at Tenant's Notice Address; or (b) City at City's Notice Address; or (c) such other address as either Tenant or City may designate as its new address for such purpose by notice given to the other in accordance with this Section. Any notice hereunder shall be deemed to have been given and received and effective two (2) days after the date when it is mailed, if sent by first-class, certified mail, one day after the date when it is mailed if sent by overnight courier, or upon the date personal or electronic mail delivery is made. For convenience of the parties, copies of notices may also be given by facsimile to the number set forth in the Summary or such other number as may be provided from time to time; provided, however, neither party may give binding notice by facsimile.

20.2 No Implied Waiver. No failure by either party to insist upon the strict performance of any obligation of the other party under this Lease or to exercise any right, power or remedy consequent upon a

breach thereof shall constitute a waiver of any such breach or of such term, covenant or condition. No express written waiver of any default or the performance of any provision hereof shall affect any other default or performance, or cover any other period of time, other than the default, performance or period of time specified in such express waiver.

20.3 Entire Agreement. The parties intend that this Lease (including all of the attached exhibits, which are made a part of this Lease) shall be the final expression of their agreement with respect to the subject matter hereof and may not be contradicted by evidence of any prior or contemporaneous written or oral agreements or understandings. The parties further intend that this Lease shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts hereof and changes therefrom) may be introduced in any judicial, administrative or other legal proceeding involving this Lease.

20.4 Amendments. Except as specifically provided herein, neither this Lease nor any term or provisions hereof may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought.

20.5 Interpretation of Lease. The captions preceding the articles and sections of this Lease and in the table of contents have been inserted for convenience of reference only and such captions shall in no way define or limit the scope or intent of any provision of this Lease. This Lease has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with herein and shall be interpreted to achieve the intents and purposes of the parties, without any presumption against the party responsible for drafting any part of this Lease. Provisions in this Lease relating to number of days shall be calendar days. Use of the word "**including**" shall mean "including, without limitation." References to statutes, sections, ordinances or regulations are to be construed as including all statutory, ordinance, or regulatory provisions consolidating, amending, replacing, succeeding or supplementing the statute, section, ordinance or regulation. Whenever the singular number is used in this Lease and when required by the context, the same includes the plural, the plural includes the singular, and the masculine gender includes the feminine and neuter genders, and the word "**person**" shall include corporation, partnership, firm, limited liability company, and association.

20.6 Successors and Assigns. Subject to the provisions of Section 5 [Assignment or Subletting], the terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of Tenant and City and, except as otherwise provided herein, their personal representatives and successors and assigns.

20.7 No Third-Party Beneficiaries. There are no third-party beneficiaries to this Lease.

20.8 No Joint Venture. It is expressly agreed that City is not, in any way or for any purpose, a partner of Tenant in the conduct of Tenant's business or a member of a joint enterprise with Tenant, and does not assume any responsibility for Tenant's conduct or performance of this Lease.

20.9 Brokers. Neither party has had any contact or dealings regarding the leasing of the Premises, nor any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the lease contemplated herein. In the event that any broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his/her claim shall be responsible for such commission or fee and shall indemnify, defend, and

hold harmless the other party from any and all Losses incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination or expiration of this Lease.

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

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

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

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

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

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

20.16 Survival of Indemnities. Expiration or termination of this Lease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Lease, nor shall it effect any provision of this Lease that expressly states it shall survive termination hereof. Each party hereto specifically acknowledges and agrees that, with respect to

each of the indemnities contained in this Lease, the indemnitor has an immediate and independent obligation to defend the indemnitees from any claim which actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to the indemnitor by the indemnitee. Further, Tenant's obligation to make payments to City in respect of accrued charges (including those which have not yet been billed) and to make repairs (including those relating to the return of the Premises to City) which are accrued at the expiration or earlier termination of this Lease shall survive the expiration or earlier termination of this Lease.

20.17 Quiet Enjoyment and Title. Tenant, upon paying the Rent hereunder and performing the covenants hereof, shall peaceably and quietly have, hold and enjoy the Premises and all appurtenances during the full Term as against all persons or entities claiming by and through City. Tenant expressly acknowledges that Tenant's right to quiet possession of the Premises does not preclude City's right to make changes and additions to the Airport, including the Premises, and to do work in the Premises as permitted by this Lease.

20.18 No Right of Redemption. Tenant waives any right of redemption or reinstatement of Tenant under any present or future case law or statutory provision (including Code of Civil Procedure Sections 473 and 1179 and Civil Code Section 3275) in the event Tenant is dispossessed from the Premises for any reason. This waiver applies to future statutes enacted in addition or in substitution to the statutes specified herein.

20.19 Accord and Satisfaction. The payment by Tenant or the receipt by City of a lesser amount than the rent stipulated in this Lease may be, at City's sole option, deemed to be on account of the earliest due stipulated rent, or deemed to be on account of rent owing for the current period only, notwithstanding any instructions by or on behalf of Tenant to the contrary, which instructions shall be null and void, and no endorsement or statement on any check or any letter accompanying any such check or payment will be deemed an accord and satisfaction, and City may accept such check or payment without prejudice to City's right to recover the balance of such rent or payment or pursue any other remedy available in this Lease, at law or in otherwise, including possession of the Premises. City may accept any partial payment from Tenant without invalidation of any contractual notice required to be given herein (to the extent such contractual notice is required) and without invalidation of any notice given or required to be given pursuant to applicable law. In such event, if City shall receive any such partial payment after it shall have commenced an action against Tenant, City may amend its action as contemplated by Section 1161.1(c) of the California Civil Code to reflect any such partial payment, and no such payment shall limit any of City's rights to continue the action.

20.20 Joint and Several Liability. The liabilities hereunder of the entities and/or person(s) comprising Tenant shall be joint and several.

20.21 Estoppel Statements. Within ten (10) days after request therefor by City, Tenant shall deliver, in recordable form, an estoppel statement certifying that this Lease is in full force and effect; the date of Tenant's most recent payment of Rent, and that Tenant has no defenses or offsets outstanding, or stating those claimed, and any other information reasonably requested. Failure to deliver said statement within the specified period shall be conclusive upon Tenant that: (i) this Lease is in full force and effect, without modification except as may be represented by City; (ii) there are no uncured defaults in City's performance and Tenant has no right of offset, counterclaim or deduction against Rent hereunder; and (iii) no more than one month's Base Rent has been paid in advance. Notwithstanding the conclusiveness of Tenant's failure to deliver such statement, Tenant's failure shall constitute a breach of this Lease.

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

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

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

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

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


TENANT: DFS Group, L.P.,  
[signatories to also initial Summary] a Delaware Limited Partnership.

By: 

Name: MARK SULLIVAN  
(type or print)

Title: MANAGING DIRECTOR

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

\_\_\_\_\_  
Ivar C. Satero   
Airport Director

AUTHORIZED BY  
AIRPORT COMMISSION

Resolution No.:   -  

Adopted: December 5, 2017

Attest: \_\_\_\_\_  
Secretary  
Airport Commission

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

By:  \_\_\_\_\_  
Deputy City Attorney

X:\Concession Opportunities\Duty Free\Lease\Duty Free and Luxury Lease DRAFT V1.docx

**LIST OF EXHIBITS**

EXHIBIT A – Description of Premises

EXHIBIT B – Use and Operational Requirements

EXHIBIT B-1 - Use and Operational Requirements, Tenant Partition Scope

EXHIBIT C-1 – Form of Performance Bond.

EXHIBIT C-2 – Form of Letter of Credit

EXHIBIT D – Construction Obligations

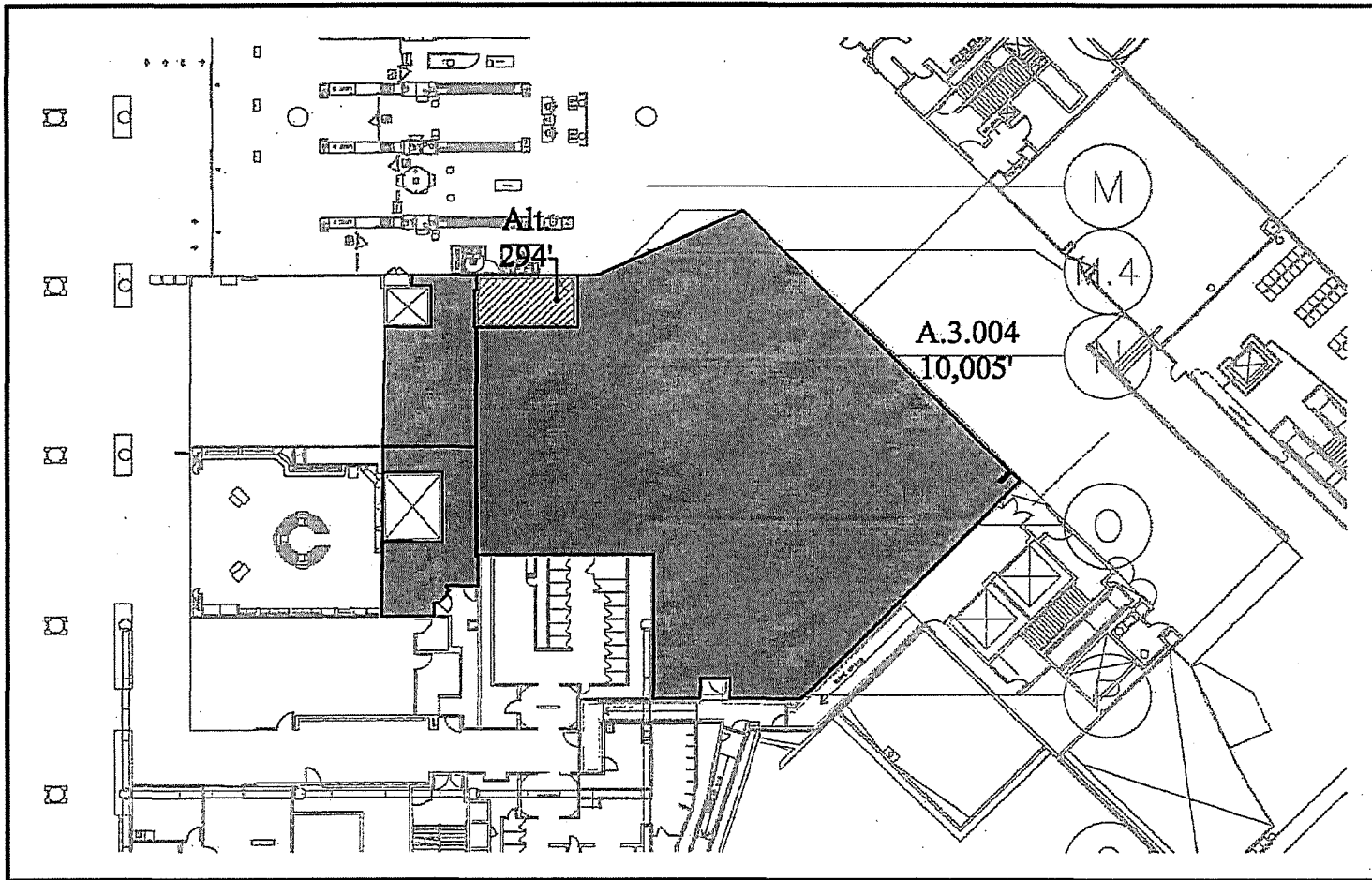
EXHIBIT E – Scheduled Premises Delivery Dates

<b>EXHIBIT A</b> <b>PREMISES</b>
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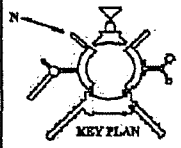
A total of 12 Facilities, comprising approximately 46,295 square feet of space located in the International Terminal, Boarding Areas A and G, and the New Terminal 1, Boarding Area B, at San Francisco International Airport, as described on the attached drawings, broken down as follows:

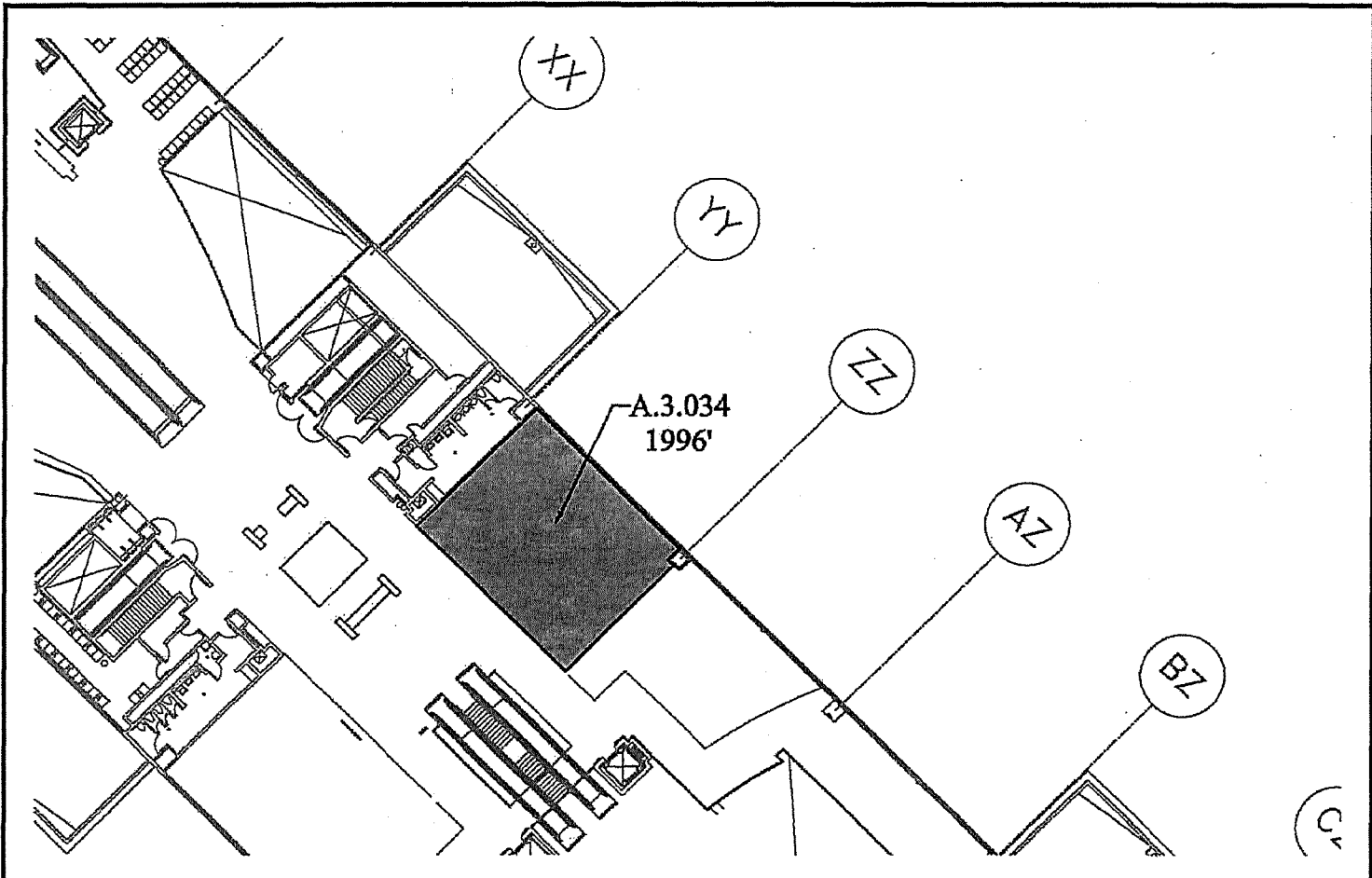
<u>Location No./Description of Facility</u>	<u>Approx. Square Footage</u>
<b>Initial International Terminal Premises</b>	
Duty Free Store A (A.3.004)	10,005
Duty Free Satellite Store A (A.3.034)	1,996
Luxury Space A1 (A.3.056)	2,968
Luxury Space A2 (A.3.052)	2,494
Luxury Space A3 (A.3.012/A.3.012A)	1,769
Kiosk (A.3.002X)	352
<b>Total A</b>	<b>19,584</b>
Duty Free Store G (G.3.002)	17,141
Duty Free Satellite Store G (G.3.019)	1,436
Luxury Space G1 (G.3.062)	730
Luxury Space G2 (G.3.060)	1,674
Luxury Space G3 (G.3.055)	2,016
<b>Total G</b>	<b>22,997</b>
<b>Terminal 1 Premises (New Terminal 1, Boarding Area B)</b>	<b>3,714</b>



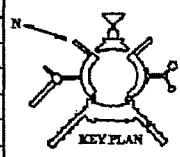


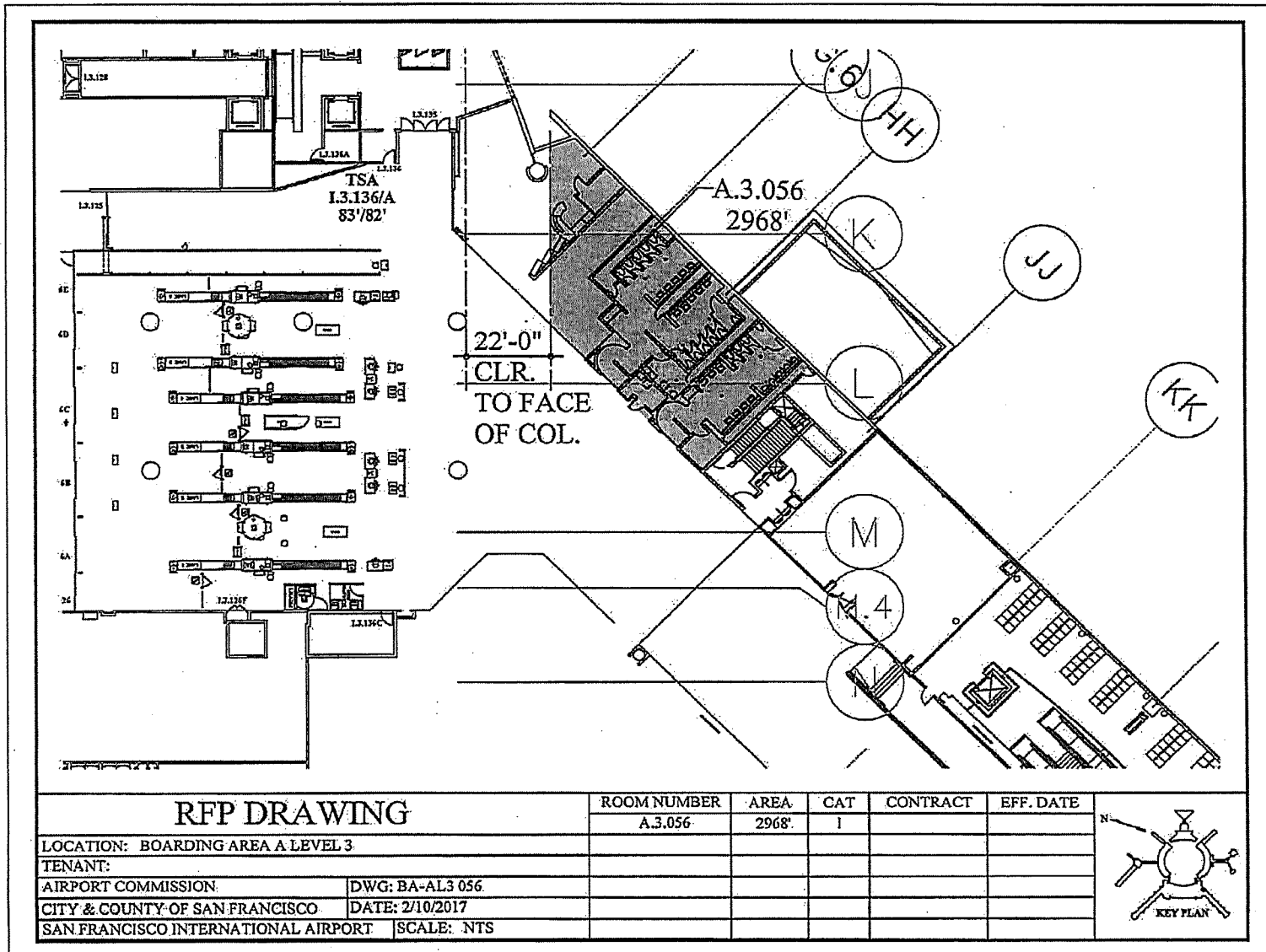
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		A.3.004	10,005'	I		
LOCATION: BOARDING AREA A LEVEL 3		Alt.	294'	I		
TENANT:						
AIRPORT COMMISSION	DWG: BA-AL3 004	Total	10,299'			
CITY & COUNTY OF SAN FRANCISCO	DATE: 2/10/2017					
SAN FRANCISCO INTERNATIONAL AIRPORT	SCALE: NTS					

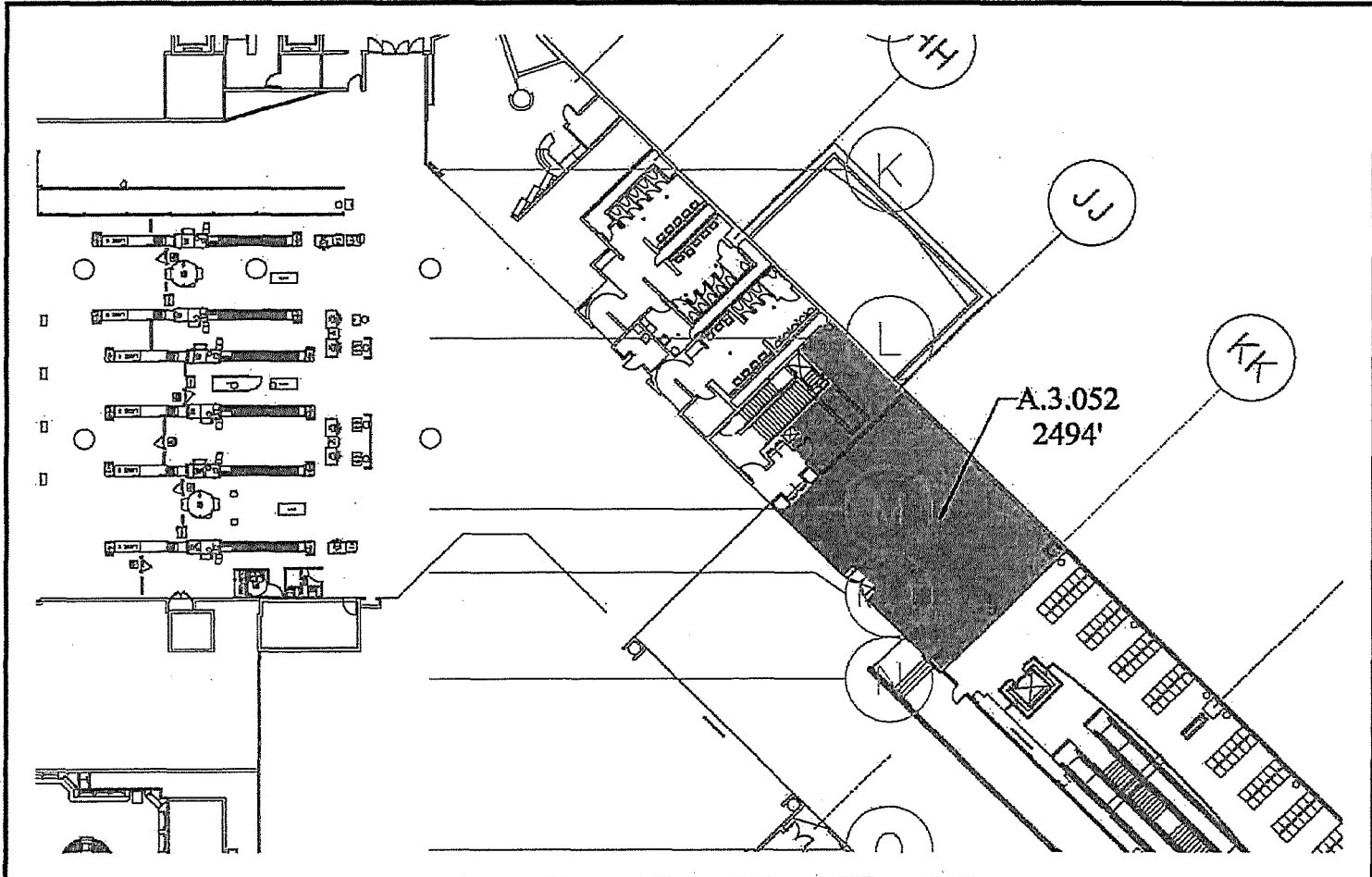




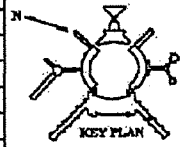
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TENANT:						
AIRPORT COMMISSION	DWG: BA-AL3 034					
CITY & COUNTY OF SAN FRANCISCO	DATE: 2/10/2017					
SAN FRANCISCO INTERNATIONAL AIRPORT	SCALE: NTS					





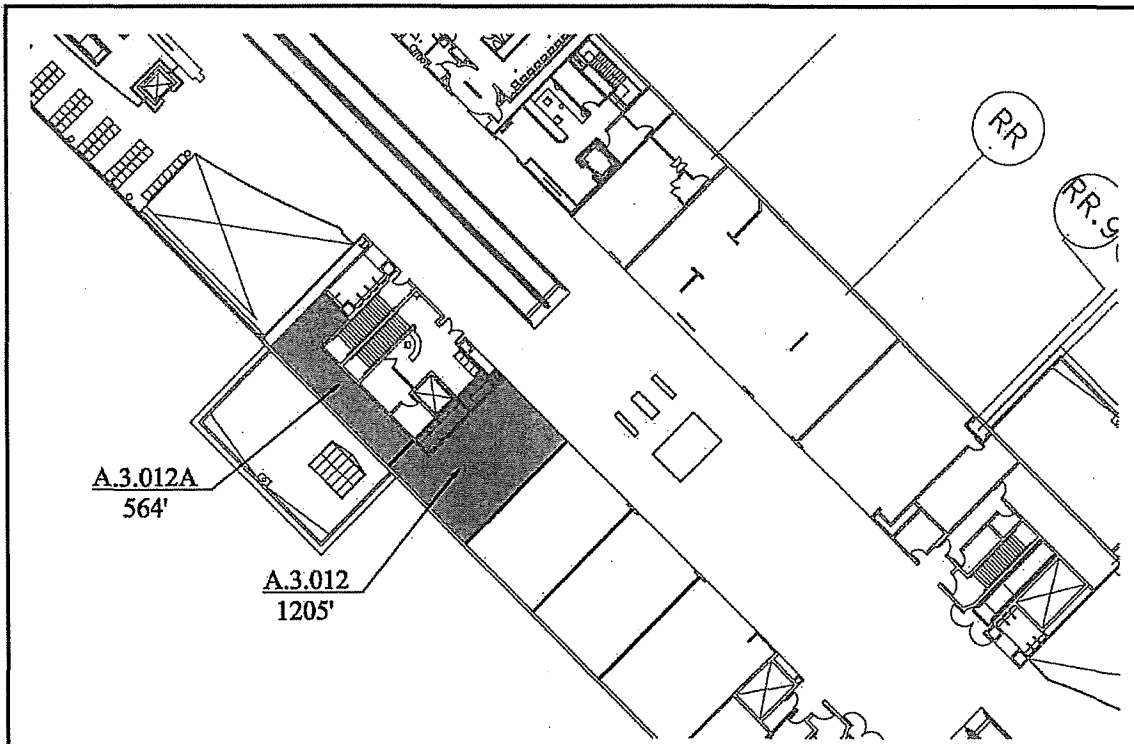


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TENANT:						
AIRPORT COMMISSION	DWG: BA-AL3 052					
CITY & COUNTY OF SAN FRANCISCO	DATE: 2/10/2017					
SAN FRANCISCO INTERNATIONAL AIRPORT	SCALE: NTS					

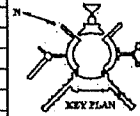


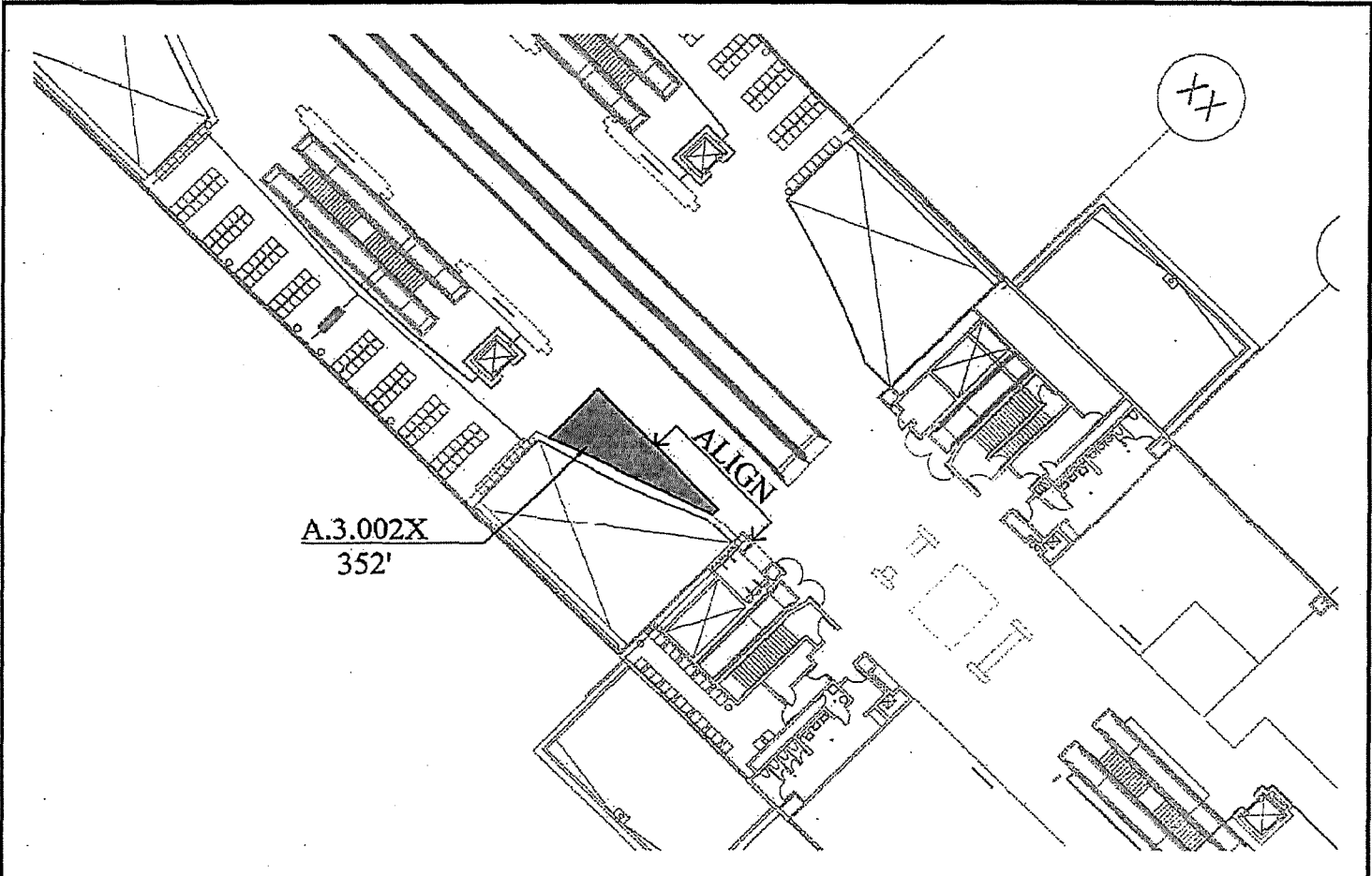
LEASE: International Terminal Duty Free and Luxury Stores Lease  
 TENANT: DFS Group, L.P.

Exhibit A - Page 6



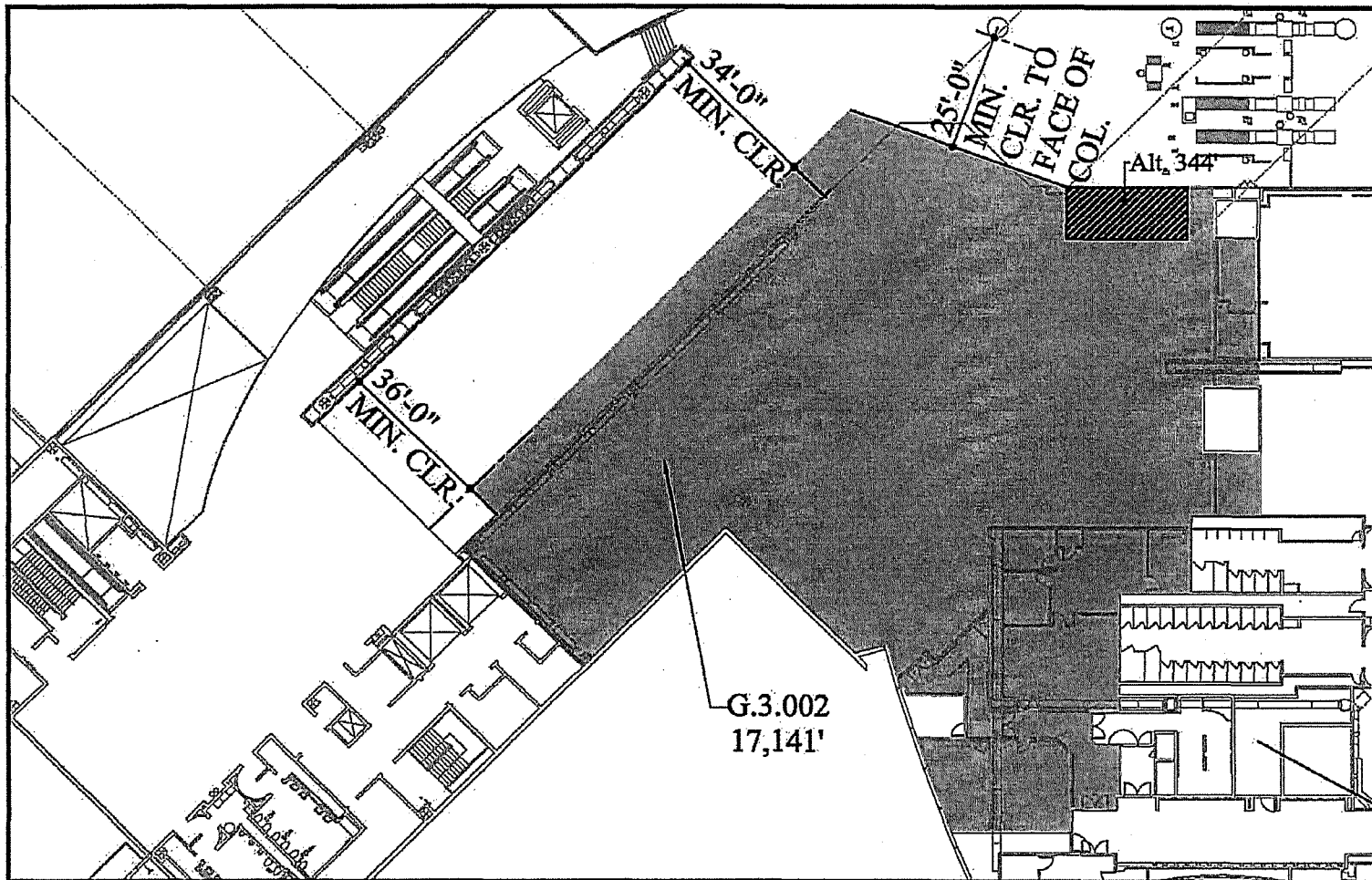
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LOCATION: BOARDING AREA A LEVEL 3		A.3.012	1205'	I		
TENANT:		A.3.012A	564'	I		
AIRPORT COMMISSION		DWG: BA-AL3 012				
CITY & COUNTY OF SAN FRANCISCO		DATE: 2/10/2017				
SAN FRANCISCO INTERNATIONAL AIRPORT		SCALE: NTS				



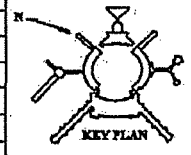


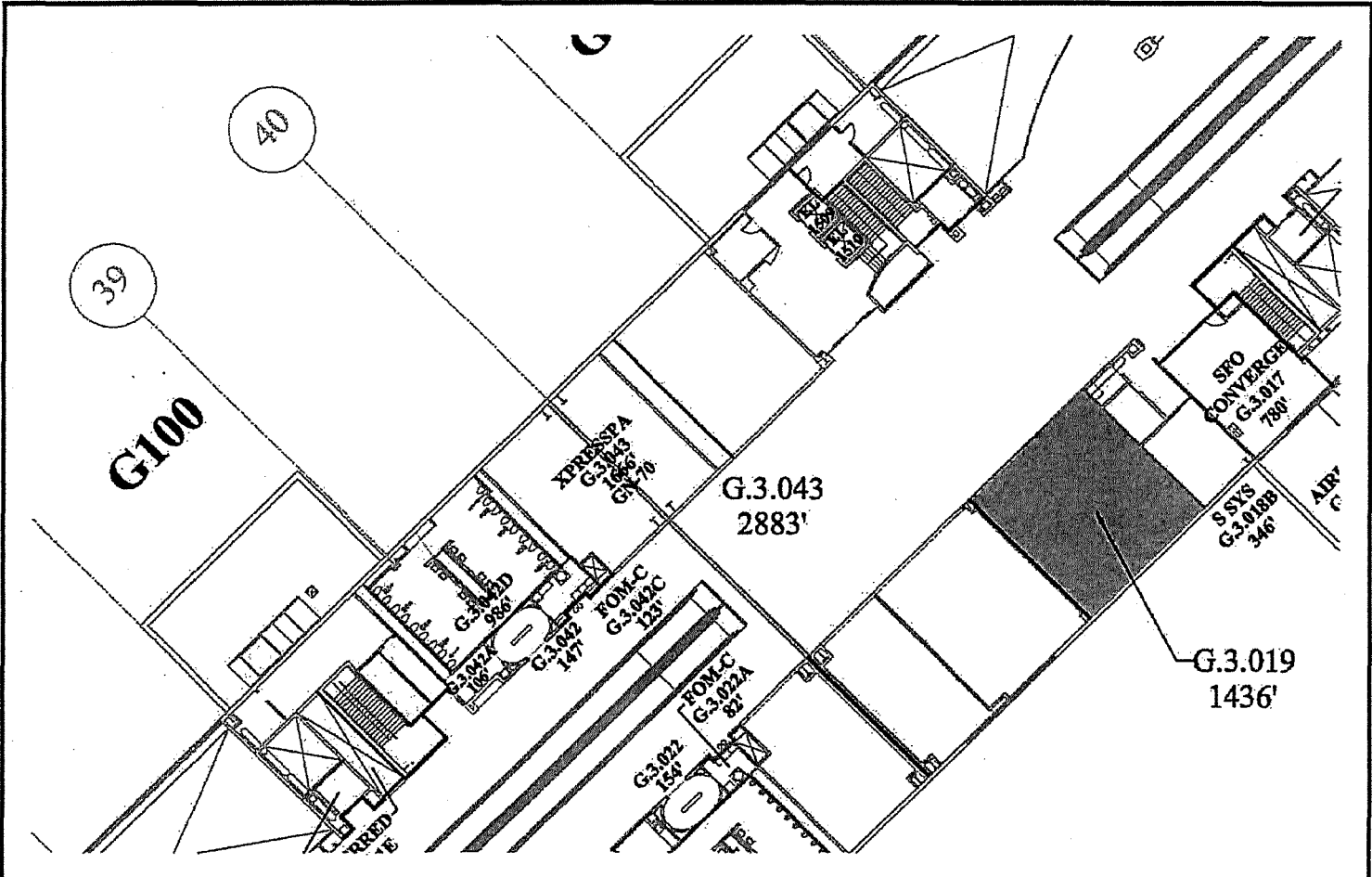
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		A.3.002X	352'	J		
LOCATION: BOARDING AREA A LEVEL 3						
TENANT:						
AIRPORT COMMISSION		DWG: BA-AL3 002X				
CITY & COUNTY OF SAN FRANCISCO		DATE: 2/16/2017				
SAN FRANCISCO INTERNATIONAL AIRPORT		SCALE: NTS				

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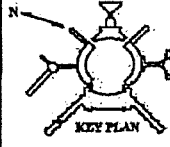


RFP DRAWING		ROOM NUMBER	AREA	CAT	CONTRACT	EFF. DATE
LOCATION: BOARDING AREA A LEVEL 3		G.3.002	17,141'	I		
TENANT:		Alt.	344'	I		
		Total	17,485'	I		
AIRPORT COMMISSION	DWG: BA-GL3 002					
CITY & COUNTY OF SAN FRANCISCO	DATE: 2/10/2017					
SAN FRANCISCO INTERNATIONAL AIRPORT	SCALE: NTS					





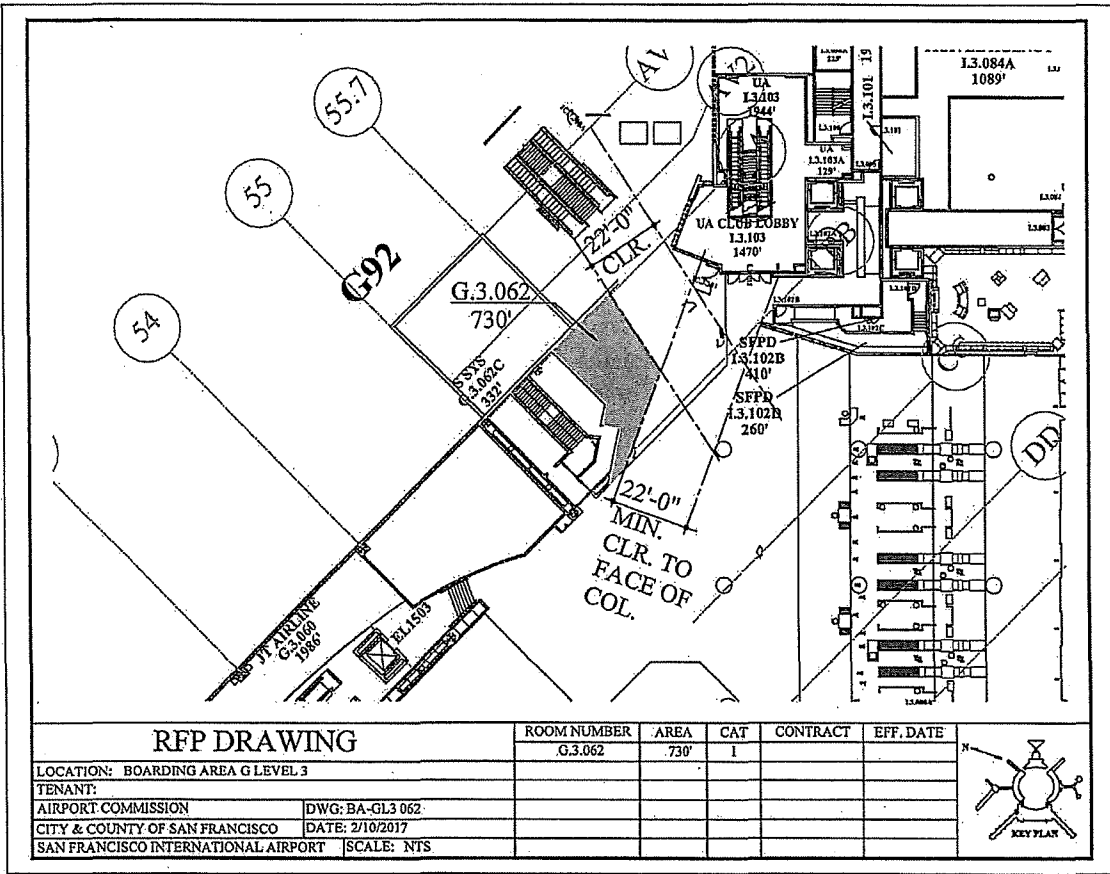
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LOCATION: BOARDING AREA G LEVEL 3		G.3.019	1436'	I		
TENANT:						
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CITY & COUNTY OF SAN FRANCISCO	DATE: 2/10/2017					
SAN FRANCISCO INTERNATIONAL AIRPORT	SCALE: NTS					

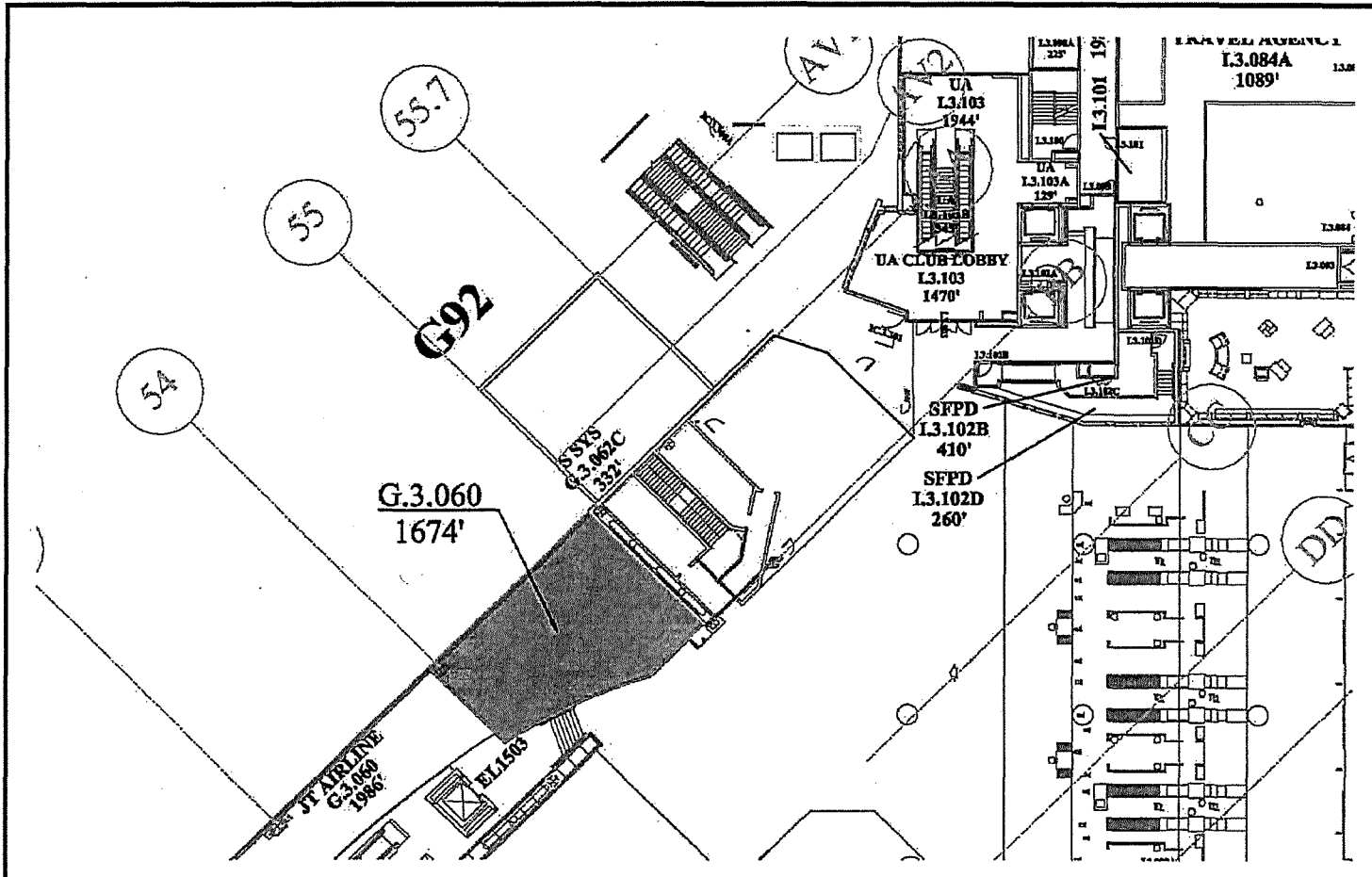




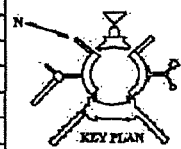
LEASE: International Terminal Duty Free and Luxury Stores Lease  
 TENANT: DFS Group, L.P.

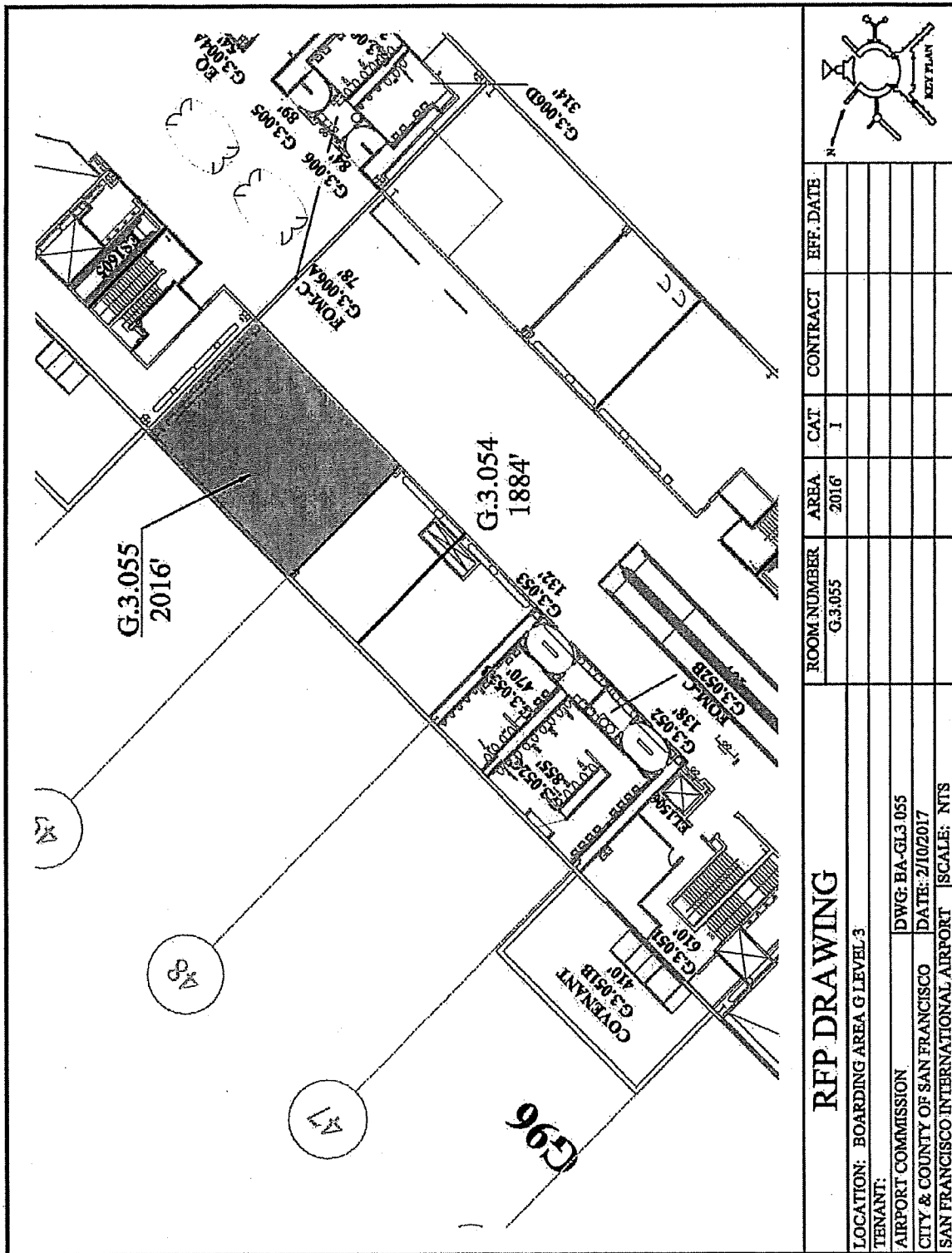
Exhibit A - Page 10





RFP DRAWING		ROOM NUMBER	AREA	CAT	CONTRACT	EFF. DATE
LOCATION: BOARDING AREA A LEVEL 3		G.3.060	1674'	I		
TENANT:						
AIRPORT COMMISSION	DWG: BA-GL3-060					
CITY & COUNTY OF SAN FRANCISCO	DATE: 2/10/2017					
SAN FRANCISCO INTERNATIONAL AIRPORT	SCALE: NTS					





RFP DRAWING		ROOM NUMBER	AREA	CAT.	CONTRACT	EFF. DATE
LOCATION: BOARDING AREA G LEVEL 3		G.3.055	2016'	1		
TENANT:						
AIRPORT COMMISSION						
CITY & COUNTY OF SAN FRANCISCO						
SAN FRANCISCO INTERNATIONAL AIRPORT						
DWG: BA-GL3 055						
DATE: 2/10/2017						
SCALE: NTS						

THE TERMINAL 1 FACILITY IS TO BE DELIVERED IN OR AROUND 2022.

<b>EXHIBIT B</b> <b>USE AND OPERATIONAL REQUIREMENTS</b>
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- 1) **GENERAL REQUIREMENTS:** All merchandise shall be sold on a non-exclusive basis (other than with respect to duty free / in-bond merchandise), and the Airport reserves the right to sell and to permit other Airport tenants to sell such merchandise. All such items must be sold at retail. Tenant may not display, sell, rent, or otherwise offer any product without Director's written prior consent.
  
- 2) **REQUIRED/OPTIONAL PRODUCTS:** In the event Director permits any product to be sold or offered that is not listed below, changes the required or optional offerings listed below, or otherwise modifies the Permitted Use or operational requirements under this Lease, this Exhibit shall be deemed amended without need for a formal amendment of this Lease. Only the Facilities designated below as Duty Free may sell duty free / in-bond merchandise.

**Required**

Tenant shall be required to operate the following Facilities in accordance with the corresponding merchandise requirements for each:

Space No(s).	General Descriptions of Merchandise	Merchandise
Duty Free Store A (A.3.004)	Duty free core category products	Duty free/in-bond products that must be either (i) of foreign origin subject to United States Customs duties, or (ii) regulated by United States Customs as bonded merchandise. Such products include fragrances/beauty products, wine and spirits, food and candy, and tobacco products.
	Optional Merchandise	Other bonded or non-bonded merchandise permitted to be displayed and sold in duty free shops by United States Customs regulations, including food and candy, leather, high-end ready-to-wear, and watches.
Duty Free Satellite Store A (A.3.034)	Duty free core category products	Duty free/in-bond products that must be either (i) of foreign origin subject to United States Customs duties, or (ii) regulated by United States Customs as bonded merchandise. Such products include fragrances/beauty products, wine and spirits, food and candy, and tobacco products.
Luxury Space A1 (A.3.056)	Luxury Brand	Fashion, Accessories, Jewelry or watches
Luxury Space A2 (A.3.052)	Luxury Brand	Fashion, Accessories, Jewelry or watches

Luxury Space A3 (A.3.012/A.3.012A)	Luxury Brand	Fashion, Accessories, Jewelry or watches
Duty Free Store G (G.3.002)	Duty free core category products	Duty free/in-bond products that must be either (i) of foreign origin subject to United States Customs duties, or (ii) regulated by United States Customs as bonded merchandise. Such products include fragrances/beauty products, wine and spirits, food and candy, and tobacco products.
	Optional Merchandise	Other bonded or non-bonded merchandise permitted to be displayed and sold in duty free shops by United States Customs regulations, including food and candy, leather, high-end ready-to-wear, and watches.
Duty Free Satellite Store G (G.3.019)	Duty free core category products	Duty free/in-bond products that must be either (i) of foreign origin subject to United States Customs duties, or (ii) regulated by United States Customs as bonded merchandise. Such products include fragrances/beauty products, wine and spirits, food and candy, and tobacco products.
Luxury Space G1 (G.3.062)	Luxury Brand	Fashion, Accessories, Jewelry or watches
Luxury Space G2 (G.3.060)	Luxury Brand	Fashion, Accessories, Jewelry or watches
Luxury Space G3 (G.3.055)	Luxury Brand	Fashion, Accessories, Jewelry or watches
Terminal 1	Duty free core category products	Duty free/in-bond products that must be either (i) of foreign origin subject to United States Customs duties, or (ii) regulated by United States Customs as bonded merchandise. Such products include fragrances/beauty products, wine and spirits, food and candy, and tobacco products.
	Optional Merchandise	Other bonded or non-bonded merchandise permitted to be displayed and sold in duty free shops by United States Customs regulations, including food and candy, leather, high-end ready-to-wear, and watches.

- 3) **PROHIBITED MERCHANDISE:** Tenant understands and agrees that the following products or services are not included within the Permitted Use, without the prior written consent of Director, which consent may be granted or denied in Director's absolute and sole discretion.

(b) Any and all sales from vending machines or other mechanical devices, including but not limited to such items as: cigarettes, candy, maps, coffee, and soft drinks, newspapers, stamps, insurance policies, and dispensation of cash, money orders and checks.

(c) Any and all sales of meals, and alcoholic beverages by the drink, whether for immediate consumption or for public sale.

(d) Freshly prepared popcorn or peanuts in the shell or other baked products intended for immediate consumption.

(e) Any and all sales or rental of telecommunications equipment.

(f) Any and all sales of phone cards.

(g) Any and all sales of bottled water and boxed, bottled, and canned juice, intended for immediate consumption.

**4) OTHER OPERATIONAL REQUIREMENTS:**

(a) U.S. based executives will be in contact with local management reviewing shop performance, logistics, staff scheduling, recruiting, training and customer satisfaction levels.

(b) The Global Leadership Team will conduct weekly and monthly reviews.

(c) Global HQ will conduct regular visits to each location in order to make assessments of performance, quality control and customer satisfaction.

(d) Maintain a DFS Mystery Shopper Program.

(e) Orientation and an on-boarding program will be provided for new staff members.

(f) On-going developmental programs will be provided for current staff members including:

(i) The Master to Apprentice Program

(ii) DFS University

(iii) Language Training

(iv) Category/Brand Training

(g) Maintain brand integrity through regularly scheduled visits with brand partners.

(h) Provide a 100% world-wide guarantee to customers.

(i) Empower sales staff to resolve customer complaints.

(j) Conduct regular store inspections.

(k) Ensure ongoing and as-needed maintenance issues are resolved in a timely manner.

(l) Perform general housekeeping tasks daily and on a regular basis.

**LUXURY SPACE A.3.012 CONSTRUCTION REQUIREMENTS:** Tenant must install a new partition wall on lease line A.3.012 as per Exhibit B-1.

**5) AIRPORT WASTE MANAGEMENT PROGRAM:** Tenant shall dispose of waste in a manner that produces the very least possible contribution to a landfill. Tenant must maximize recycling, composting and compostable to-go containers and utensils.

6) **SYSTEMS INFORMATION:** In the event of any Tenant network system or point of sale service interruptions or outages, whether due to system maintenance or upgrades, mechanical failure, or software failure or malicious email attacks, locally or remotely, Tenant will notify the Airport of such interruption or outage and the anticipated duration of interruption or outage. Once a resolution has been determined, Tenant will report to Airport the cause and the resolution to the service interruption or outage.

7) **DATA EXCHANGE:**

- a) Tenant agrees to share and exchange data with Airport in real-time through brokered data services.
- b) Tenant agrees to share POS transaction detail data including the following data attributes:
  - i) Purchase Item Details, or what was purchased
  - ii) Transaction Timestamp, or when the purchase was made
  - iii) Transaction Item Counts, or how many items were purchased
  - iv) Purchaser's airline
  - v) Purchaser's flight number
  - vi) Purchaser's gate number
  - vii) Purchaser's origin country or location
- c) Vouchers, coupons, and special offers that can be brokered through a data exchange with Airport's third party service providers with revenue sharing incentives.
- d) Tenant agrees to share with Airport the following data that can be pulled in bulk:
  - i. Historical Point of Sale Transactions identified by stock keeping units (SKUs) and normalized item descriptions
  - ii. Catalog of Items available for sale by rich category identified by SKUs
- e) Tenant agrees to integrate data services with Airport in a manner that permits data exchange with Airport information display, paging and messaging systems.

8) **INTERCONNECT STANDARDS**

- a) Tenant agrees to utilize Airport processes and standards for data exchange services.
- b) Tenant agrees to the use of RESTful web services over Secure Hypertext Transfer Protocol (HTTPs) for the integration of data exchange service components.
- c) Tenant agrees to integrate messaging Application Program Interfaces (APIs) with Airport's real-time publish and subscribe messaging infrastructure, with the ability to accept push notifications on the iOS and Android platforms.
- d) Tenant agrees to create and distribute data securely over specified data exchange protocols.
- e) Tenant agrees to create, manage and exchange data services that ensure the safety and security of all data between Tenants systems and Airport systems.

9) **COLLABORATIONS**

- a) Tenant agrees to collaborate with Airport to meet data exchange service business objectives.
- b) Tenant agrees to encourage innovation between Tenant and Airport to develop new capabilities and services through the brokered data exchange.



c) Tenant will collaborate with Airport and submit three (3) fully funded business cases to Airport per year which exploit technology to enhance customer services and revenue.

d) Tenant agrees to collaborate with Airport to develop innovative services that meet data exchange service business objectives.

#### 10) SERVICE LEVEL AGREEMENTS

a) All data exchange services between Tenant and Airport shall be maintained with a Service Level Agreement (SLA) with specified metrics for service uptime and availability. All data services shall be monitored and measured to meet established SLA requirements.

b) Tenant agrees to comply with Airport processes and standards for Information Technology Service Management (ITSM) incident and change management.

c) Tenant agrees to support and maintain service performance and quality metrics specified in agreement between parties.

#### 11) AIRPORT AND INDUSTRY COMPLIANCE

a) Tenant agrees to utilize Airport's Free Wi-Fi service to provide complimentary passenger internet access.

b) Tenant agrees to allow Airport to install beacon infrastructure within the Premises if necessary.

c) Tenant agrees to utilize Airport's beacon registry for enhanced data exchange service capabilities.

d) Tenant ensures that all technology operations that integrate with Airport data exchange services comply with Airport enterprise data service security standards.

#### 12) PAYMENT CARD INDUSTRY (PCI) DATA SECURITY STANDARD REQUIREMENTS:

A. For purposes of this subsection, the term "Cardholder Data" means personally identifiable data about the cardholder (i.e. the plastic card number, card expiration date in combination with the plastic card number, cardholder name in combination with the plastic card number and/or sensitive authentication data (track data/magnetic stripe, verification numbers CVV2, CVC2, CID, and PIN Block). This term also accounts for other personal insights gathered about the cardholder (i.e., addresses, telephone numbers, and so on), assigned by the card issuer that identifies the cardholder's account or other cardholder personal information. For purposes of this section, a "Tenant" means any person or entity that stores, processes, transmits or otherwise is permitted access to Cardholder Data, while performing the Permitted Uses authorized in this Lease. Customer Information shall include cardholder data and such other customer information as may be defined elsewhere in this Lease.

B. As a Merchant or Service Provider as defined by the PCI Security Council, Tenant must be familiar with and adhere to the Payment Card Industry Data Security Standards (PCI DSS). This requirement includes, but is not limited to, full compliance with the twelve (12) DSS Security Standards as published by the PCI Security Standards Council at all times. The current standards may be found at <https://www.pcisecuritystandards.org/index.php>. Tenant is responsible for keeping informed about any and all modifications to the PCI DSS, and shall validate yearly compliance with PCI DSS by completing the appropriate Self-Assessment Questionnaire (SAQ) or Report On Compliance (ROC) and accompanying Attestation of

Compliance (AOC). Tenant must provide copy of the compliance validation documentation to San Francisco International Airport Revenue Development and Management office every 12 months. Should any assessment result in evidence of non-compliance with PCI DSS standards, Tenant shall immediately: (1) provide written notification to the Airport regarding the specific compliance failures and a Remediation Action Plan Tenant intends to undertake to come into compliance; and (2) immediately remediate operations to come into compliance.

i. Tenant represents and warrants that it shall implement and maintain Payment Card Industry Data Security Standard Requirements ("PCI Data Security Standard Requirements") for Cardholder Data, as they may be amended by the PCI Security Standards Council from time to time. The current PCI Data Security Standard Requirements are available on the following internet site; <https://www.pcisecuritystandards.org/>. As evidence of compliance with PCI DSS, Tenant shall provide current evidence of compliance with these data security standards certified by a third party authority recognized by the payment card industry for that purpose.

ii. Tenant shall maintain and protect in accordance with all applicable federal, state, local and PCI laws, rules and regulations the security of all Cardholder Data when performing the Permitted Uses under this Lease. Tenant will use reasonable precautions, including but not limited to, physical, software and network security measures, employee screening, training, and supervision and appropriate agreements with employees, to prevent anyone other than City or its authorized employees from monitoring, using, gaining access to or learning the import of the Cardholder Data; protect appropriate copies of Cardholder Data from loss, corruption or unauthorized alteration; and prevent the disclosure of passwords and other access control information to anyone.

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

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

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

this paragraph. Any costs incurred as a result of the breach or audit shall be the responsibility of Tenant.

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

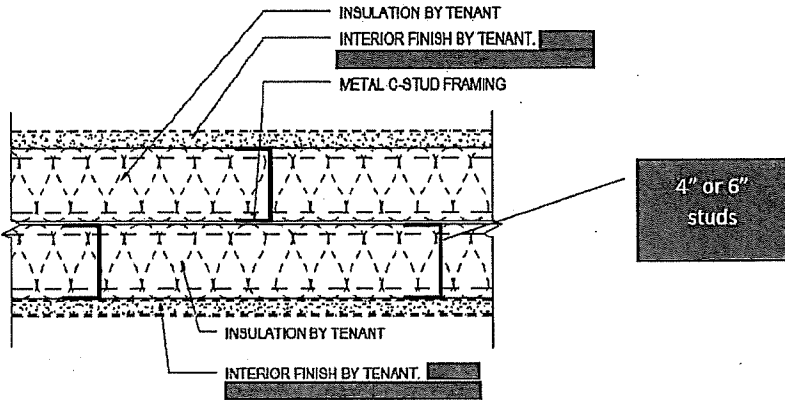
vii. Tenant's and its successors' and assigns' compliance with the PCI Data Security Standard Requirements expressly survives termination or expiration of this Lease.

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

**EXHIBIT B-1**  
**USE AND OPERATIONAL REQUIREMENTS**

**Tenant Partition Scope**

New Partition to be installed on lease line  
between tenants spaces A.3.012 & A.3.013.



**EXHIBIT C-1**  
**FORM OF PERFORMANCE BOND FOR AIRPORT LEASES**

\_\_\_\_\_ (Surety)

KNOW ALL MEN BY THESE PRESENT:

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

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

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

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

\_\_\_\_\_.

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

- a) Principal has defaulted under one or more of the Agreements; or
- b) Principal has become insolvent, or has taken the benefit of any present or future insolvency statute, or has made a general assignment for the benefit of creditors, or has filed a voluntary petition in bankruptcy, or a petition or answer seeking an arrangement for its reorganization, or the readjustment of its indebtedness under the federal bankruptcy laws, or under any other law or statute of the United States or any state thereof, or any jurisdiction available to Principal, or has consented to the appointment of a receiver, trustee, or liquidator of any or substantially all of its property; or
- c) A petition under any of the federal bankruptcy laws or an action under any present or future insolvency law or statute has been filed against Principal; or
- d) This bond is cancelled, terminated, or not renewed, and City has not received an acceptable replacement letter of credit or bond at least thirty (30) days prior to the cancellation, termination, or expiration date.

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

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

Signed, sealed and dated this \_\_\_ day of \_\_\_\_\_, 20\_\_.

Principal: By: \_\_\_\_\_

Title: \_\_\_\_\_

Seal: \_\_\_\_\_

Surety By: \_\_\_\_\_  
Company:

Title: \_\_\_\_\_

Seal:

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

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

Date \_\_\_\_\_

Irrevocable Letter of Credit No. \_\_\_\_\_

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

Ladies and Gentlemen:

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

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

- a) Account Party has defaulted under the one or more agreements with the City and County of San Francisco, acting by and through its Airport Commission at San Francisco International Airport; or
- b) Account Party has become insolvent, or has taken the benefit of any present or future insolvency statute, or has made a general assignment for the benefit of creditors, or has filed a voluntary petition in bankruptcy, or a petition or answer seeking an arrangement for its reorganization, or the readjustment of its indebtedness under the federal bankruptcy laws, or under any other law or statute of the United States or any state thereof, or any jurisdiction available to Account Party, or has consented to the appointment of a receiver, trustee, or liquidator of any or substantially all of its property; or
- c) A petition under any of the federal bankruptcy laws or an action under any present or future insolvency law or statute has been filed against Account Party; or
- d) This letter of credit is cancelled or not renewed, and City has not received an acceptable replacement letter of credit or bond at least thirty (30) days prior to the cancellation or expiration date.

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

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

Sincerely,

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<b>EXHIBIT D</b> <b>CONSTRUCTION REQUIREMENTS</b>
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These construction and operational requirements are attached to and incorporated by reference into the Lease between Tenant and City. Capitalized terms not defined herein shall have the meanings given them in the Lease.

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## A. GENERAL INFORMATION

### 1. GOVERNING CODES AND REQUIREMENTS

All construction work performed at the San Francisco International Airport (“SFO” or “SFIA”) (“Tenant Work”) shall comply with the requirements of all applicable federal, state and local laws, including but not limited to, the applicable requirements of the California Building Standards Code (California Code of Regulations (CCR) Title 24), the San Francisco Environment Code, and Americans with Disability Act (ADA). Tenant shall comply with all applicable green building laws, codes, ordinances, rules and regulations, including but not limited to, those required under the San Francisco Environment Code and the 2016 California Building Standards Code (Title 24 of the California Code of Regulations), Part 6 (Energy Code) and Part 11- (CALGreen). <https://law.resource.org/pub/us/code/bsc.ca.gov/>

Tenant Work must also comply with the requirements of the SFO Tenant Improvement Guide (TIG), a supplemental Airport document governing some aspects of Tenant construction, the California Uniform Retail Food Facilities Law (CURFFL) and the terms and conditions of the Lease, including but not limited to Section 7 [Investments; Alterations].

The design of tenant improvements shall be developed in accordance with the Design Review Committee (DRC) Guidelines; the requirements of the SFO Infrastructure Review Committee (IRC); the requirements of the Airport’s ZERO Committee (a sustainability committee); and, obtain a building permit from SFO Building Inspection and Code Enforcement (BICE).

### 2. RIGHTS OF WAY

Tenant may need to obtain approval for egress during construction from other tenants whose leased premises lie above or below the location where Tenant’s mechanical equipment are to be located. Tenant plumbing and waste lines will not be allowed to cross above or go through a Special Systems Room or a Tenant Wiring Room. These paths of travel will need to be reviewed with BICE for acceptance.

## B. SUSTAINABILITY REQUIREMENTS

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

### 2. TENANT’S WORK.

- a. General: Tenant shall review SFO’s sustainability goals and guidelines and shall submit to the Airport for ZERO Committee approval a narrative describing how Tenant’s design and operations will meet these goals and guidelines. Relevant Airport documents include: Guiding Principles of Sustainability as described in San Francisco International Airport’s Delivering Exceptional Projects – Our Guiding Principles (pg. 49-54), located at <http://www.sfoconstruction.com/> and SFO Sustainable Planning, Design and Construction Guidelines located at <http://www.flysfo.com/community-environment/environmental-sustainability-reports>.

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- b. California Building Standards: Tenant shall provide documentation to the ZERO Committee to demonstrate compliance with the California Building Standards Code (California Code of Regulations (CCR) Title 24) Part 6 (Energy) and Part 11 (CALGreen).
- c. Leed Scorecard: Tenant shall submit to BICE, SF Environment and the ZERO Committee a "LEED Scorecard" (Green Submittal 6 (GS-6)) to demonstrate compliance with Chapter 7 of the San Francisco Environment Code.
- d. Green Business Program: Tenant shall register its business with the California Green Business Program (<http://greenbusinessca.org/>), complete all applicable requirements for certification, including but not limited to those related to energy conservation and performance, and provide a checklist to the ZERO Committee. Tenants that are certified through the Green Business Program will be recognized on program websites, receive a certificate to display and electronic logo for use, and be recognized at an annual Airport event.
- e. Debris Management: Tenant shall divert a minimum of 75% construction and demolition debris from landfill. Tenant's General Contractor shall be required to prepare a Construction and Demolition Debris Management Plan (CDDMP), submit monthly Construction and Demolition Debris Recovery Worksheets, and submit a Final Diversion Report (Construction and Demolition Debris Report) consistent with the standards set forth Sections 7 and 14 of the San Francisco Environment Code along with providing copies to the ZERO Committee. Tenant shall obtain the required City Construction and Demolition Debris Forms from: San Francisco Department of the Environment (SF Environment), Construction & Demolition Recovery Specialist, 1455 Market Street, Suite 1200, San Francisco, CA 94103 Phone: 415.355.3710 <http://www.sfenvironment.org/c&d>
- f. Toxics Reduction & Pollution Control: All projects that include furniture and/or interior surfaces (e.g., countertops, doorknobs, handles, wall paints, carpet) within the project scope shall comply with the attributes defined within the Chapter 7 of the San Francisco Environment Code (e.g., emission of volatile organic compounds, fluorinated chemicals, antimicrobial chemicals, required ecolabels, etc.).

**3. TENANT IMPROVEMENT PROJECTS OF 10,000 GROSS SQUARE FEET OR MORE.**

- a. LEED Level Required and Certification: LEED v4 ID+C minimum Gold level certification is required. Tenant shall be responsible for all work and costs related to the LEED certification. The LEED certification shall conform to the standards set forth in San Francisco Environment Code Chapter 7, and Tenant shall coordinate with the San Francisco Department of the Environment ("SF Environment") and ZERO Committee on the LEED certification and documentation requirements, including, but not limited to, the preparation and submission of a LEED Scorecard. The LEED Scorecard is to be submitted at project close-out, along with required documentation and a copy of the project LEED certificate.
- b. LEED Credits: Tenant shall demonstrate that the project achieves the following LEED credits required through Chapter 7 of the San Francisco Environment Code: LEED

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prerequisite Fundamental Commissioning and Verification and Enhanced and Monitoring-Based Commissioning; LEED credit for Construction and Demolition (C&D) Debris Management – diverting 75% C&D Material from the landfill; LEED credit for Enhanced Indoor Air Quality Strategies, LEED credit for Construction Indoor Air Quality Management Plan, and LEED credit Indoor Air Quality Assessment Option 2: Air Testing; and, LEED credit for Low Emitting Materials.

- c. Registering the Project: SFO has been registered with the Green Business Certification Inc. (GBCI) using the Campus Master Site Program. SFO will provide Tenant with access to the GBCI online website for use by Tenant in registering and certifying its project. Tenant shall be responsible for adding its team to this website and for providing LEED administration for its project on this website. Once Tenant has registered the project on this website, it will be able to utilize a number of pre-approved LEED v4 ID+C pre-requisites and credits.

**4. FOR TENANT IMPROVEMENT PROJECTS LESS THAN 10,000 GROSS SQUARE FEET.**

- d. General: Tenant is not required to achieve LEED certification but is required to submit the LEED Scorecard that demonstrates the maximum LEED credits that are practicable for the project and pursue these credits through the design and construction process as required by Chapter 7 of the San Francisco Environment Code. The LEED Scorecard is to be submitted to the BICE, SF Environment and ZERO Committee during the conceptual design phase and as a final as-built indicating all LEED credits that would be achieved if the project had been certified.

**C. BUILDING SYSTEMS**

**1. PLUMBING**

- a. Domestic Cold Water: Tenant will be responsible for designing and installing a complete potable water system if needed. When installed, tenant is required to reduce onsite water use through the installation of low-flow (<1.15gpm) pre-rinse spray valves, (<.5gpm) faucet aerators, and related commercial kitchen equipment (see: <http://www.fishnick.com/saveenergy/rebates/>). Tenant water usage is metered by the Airport and the meter is provided and installed by the Airport. Tenant shall extend water service to and within the Premises as needed. Tenant's domestic water system must be chlorinated and approved prior to connection to the Airport's water system. Hot water shall be provided by Tenant.
- b. Sanitary Sewer: The Tenant is responsible for designing and installing a complete sanitary and vent system from the nearest points of connection within the building to within their tenant space. All new piping shall be of materials that will not be adversely effected by waste being introduced into the system, special consideration shall be given to all waste from bars, soda fountain and juicers. All piping shall be labeled including tenant space number every 10 feet and at point of connections.

**2. FIRE SPRINKLERS**

The Airport provides a "wet type" Fire Sprinkler System complying with the requirements of the Underwriters Laboratory, Factory Mutual and the Airport Fire Marshall. Tenant shall install a hydraulically calculated fire sprinkler system throughout the Premises, reviewed and approved by the Airport Fire Marshal. Sprinklers shall be concealed or flush

pendant quick response type heads. Tamper switches shall be provided for all valves normally in the open position and shall be PPDt self-storing type devices. All components of the fire sprinkler system shall be UL listed and comply with the requirements of Factory Mutual. Tenant's subcontractor is required to submit a shutdown request at least 3 days prior of any scheduled work performed on the Airport sprinkler system.

### 3. HVAC SYSTEMS & CONTROLS

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

HVAC design shall comply with LEED standards and California Title 24 for energy efficiency and air quality. To control odor migration, the make-up air system is to be designed such that the make-up air quantity plus outside air capacity of Tenant's HVAC system equals 80 percent of the exhaust air quantity. Tenant's Premises (enclosed spaces) are to be 0.05" water column negative pressure with respect to the terminal or concourse area. Tenant's mechanical equipment shall be sound and vibration attenuated. Tenant shall submit plans, specifications and load calculations to BICE for permitting. Tenant shall prepare an Air Balance Report for its mechanical systems as part of the required BICE permit closeout submittals. Tenant is required to use a licensed air balancing subcontractor.

### 4. ELECTRICAL

- a. General: Tenant will receive either a 3 phase, 4 wire 277/480V or 120/208 electrical service for its Premises fed from a Tenant Metering Switchboard located in the Airport Metering Room. Tenant will be allowed a connected maximum load of 72W per square foot in food preparation areas and a maximum of 15W per square foot in seating areas. Tenant shall provide all electrical information on proposed Tenant equipment to BICE to verify the actual load with the available service.
- b. Equipment Requirements: All products to be installed shall match the Airport Electrical Rooms existing equipment including, but not limited to, the following:
  - For a 277/480V electrical service connection, Tenant shall install a maximum of 200A feeder circuit breaker in the Tenant Metering Switchboard. Ground fault breakers within the Airport's 277/480V Tenant Metering Switchboard shall be Square D model Power Pact type HJ with GFM (ground fault module add-on). Tenant may transform the 480V

service to another voltage from Tenant's Distribution Panel. Tenant's Distribution Panel and all other Tenant installed electrical equipment shall be located within the lease line as indicated on Tenant's lease outline drawings, or an approved electrical closet designated for tenant equipment.

- For a 120/208V electrical service connection, Tenant shall install a maximum 50A feeder circuit breaker in the Tenant Metering Switchboard. Breakers within the Airport's Tenant Metering Switchboard shall be Square D model SE R ET. Tenant's Distribution Panel and all other Tenant installed electrical equipment shall be located within the lease line as indicated on Tenant's lease outline drawings.
  - Electrical meter circuit transformers (CTs) are sized according to the service load: for 100A service use 100:5 CT. CT wiring should be lengthened when necessary with color coded twisted pair #16 gauge using butt splices (not wire nuts) and clearly labeled where terminated at the shorting block. CT ratio shall be labeled at the shorting block where the CTs are terminated.
- c. Excess Service Needed: If Tenant requires electrical service greater than noted above, Airport staff will work with the Tenant's Designer on a case by case basis to provide the capacity required. Any additional electrical equipment and associated work necessary to accommodate the request shall be provided by Tenant. Emergency electrical power will NOT be available for Tenant use. Emergency lighting shall be designed by Tenant using devices approved under the applicable codes. If an the Premises has any SFO emergency circuits, Tenant's electrical contractor will need to remove these circuits to the closest junction box outside of their space and have it approved by BICE.
- d. Metering: Tenant shall be responsible for procurement and installation of all other work required to provide a complete electrical distribution system including feeder circuit breakers and electrical meter circuit transformers (CT's) in the Airport's Tenant Metering Switchboard and feeder wiring from the Switchboard to the Tenant's Distribution Panel. The Airport will install the Tenant Meter and energize the service to the space upon BICE approval of the Tenant's electrical system installation. Tenant shall contact the Airport Electrical Shop at (650) 821-5489 to schedule installation of the SFO-provided meter into the metering panel after Tenant's electrical system has been approved by BICE Inspectors.

## 5. FIRE ALARM

Tenant shall provide a "Class A" fire alarm system terminal box inside the Premises and connect all required fire alarm devices to allow for Airport monitoring and control functions of both the Airport's and Tenant's fire alarm system. Tenant is required to use the same fire alarm system as the base building's fire alarm system (Simplex) and must be able to communicate with the base building Fire Alarm Control Panel (FACP). Tenant must use the base building fire alarm subcontractor (Simplex) for all FA tie-ins to the base building fire alarm system. Tenant shall meet interim fire alarm requirements and conditions per the TIG until Tenant's system is tied-in to the base building fire alarm system.

## 6. TELECOMMUNICATIONS & DATA

- a. General: The Airport's Information Technology and Telecommunication Department (ITT) provides Shared Tenant Services (STS) via Airport Infrastructure and Network Transport. Services including voice grade services, DS1 to OC12 SONET Transport, Ethernet Connectivity, Common Use Connectivity and DirecTV and/or Comcast Cable TV Services throughout the Airport Campus. For all Tenant IT service requests (Move, Ads or Changes)

contact the Airport ITT Provisioning Group at 650-821-HELP (4357) Option 1, or sfohelpdesk@flysfo.com.

- b. Voice and Data Cabling: Tenant is responsible for the installation of its Telecommunication and Data System throughout the Premises and or utilizing the existing conduit or providing a new conduit from the Premises to the designated Airport Tenant Wiring Closet (TWC) and/or Special Systems Room (SSR). Any necessary equipment must be housed within the leased premises. General technical recommendations on Voice and Data Cabling at SFO are as follows:
- Copper Feeder Cable from the Premises for Voice and SONET Transport Service: Tenant is recommended to furnish and install a single 25 pair (or greater) copper feeder cable, inside of a 2" (or greater) conduit, from the Airport TWC and/or SSR to a backboard located inside of the Premises.
  - The 25-pair cable inside of the Airport TWC and/or SSR will need to be terminated on an Airport provided 110 or 66 style termination block by Tenant. The location of where Tenant can terminate its feeder cable inside of the Airport's TWC and/or SSR will be designated by SFO's ITT Department (650) 821-4361. Inside of the Premises, it is recommended that the feeder cable be terminated on a 66 or 110 style termination block. Tenant shall install the termination block on an accessible communication backboard or 19 inch relay rack.
  - If Ethernet/Internet Services will be required within the Premises, in addition to the Voice Feeder Cable, individual CAT 5e/6/6A Data Cables or Single Mode / Multi Mode fiber shall be installed in the supplied utility stub for communications so Data services from SFO can be distributed into this space. If more than four (4) individual internet connections are required then a network switch shall be installed in the Premises which can be fed by Fiber or Copper to the closest Airport TWC and/or SSR for Ethernet/Internet Service. The necessity of installing any combination of these cables and how and where to terminate them within the designated Airport TWC and/or SSR shall be discussed with SFO's ITT Department (650) 821-4361.
  - The individual CAT 5e/6/6A and/or Single Mode/Multi Mode Fiber cabling inside of the Airport TWC and/or SSR will need to be terminated on an Airport provided Ethernet Patch Panel and/or Fiber LIU by Tenant unless otherwise directed by SFO ITT. The location of where Tenant can terminate its cable inside of the Airport's TWC will be designated by SFO's ITT Department (650) 821-4361. Inside of the Premises, it is recommended that the cable be terminated on Ethernet Patch Panels and/or Fiber LIU's on an accessible communication backboard or 19-inch relay rack.
- c. Copper Station Cabling Inside of the Premises: The Tenant is required to furnish and install one (1) CAT 5e/6/6A cable per voice or data jack inside the Premises. All voice CAT 5e cables should be terminated on the same block as Tenant's feeder cable. All Data CAT 5e/6/6A cables should be terminated on a patch panel or a multi-port surface mount block close to the Tenant's network equipment. The Airport recommends the installation of two (2) Voice CAT 5e and two (2) Data CAT 5e/6/6A Cables per communications outlet.
- d. Coaxial Cable for Cable TV Service: If Tenant requires Cable TV Services inside the Premises, it will need to install the following to get service from the Airport's HDTV Service Provider who is the sole provider of TV Services at SFO. Inside of the same 2" Telecommunication Conduit feeding the designated Premises from the closest Airport TWC

and/or SSR, Tenant will need to furnish and install a single RG-11 or RG-6 quad-shielded Coaxial Cable (which will be dictated by SFO due to distance and quantities of devices) to a backboard that is located inside of the Premises. This cable will be used to distribute TV services to up to eight (8) receivers within the same Premises. If more than eight (8) receivers within the same Premises are required, a second RG-11 quad-shielded Coaxial Cable will have to be installed by Tenant.

- e. Drawings Required: Tenant needs to provide the following Communication Drawings within their BICE Submittal package: The location of the Tenant Communications Backboard, Voice, Data and Cable TV outlets with callouts inside of the Premises and a single line riser diagram showing the conduit(s) run from the Premises to the designated Airport TWC and/or SSR, including what will be installed in the conduit.

#### **7. SOLID WASTE MANAGEMENT**

Tenant is required to minimize solid waste to landfill and maximize composting and recycling and shall submit to the ZERO Committee a Zero Waste Management Plan to achieve zero waste from its operations. Tenant shall design the space for source separation of the following materials: (a) Compostable; (b) Recyclable; (c) Cardboard; and (d) Landfill. Tenant is required to provide recycling, composting and landfill receptacles within its Premises and shall ensure these source separated materials are deposited in the appropriate collection container within the designated courtyard / Materials Recovery Area.

#### **8. TENANT DOORS AND LOCKS**

- a. Doors: Tenant is responsible for maintaining the rating of all of its base-building doors. Premises with existing store front glass doors may be reused but will be the sole responsibility of Tenant to maintain, remove or replace with an approved equal type glass door. Any modification of a door by the tenant which changes the rating of a door is prohibited. It will be the responsibility of the tenant to furnish and install a replacement door of equal or greater quality to the original base-building door if Tenant has modified the door for their own use. Any added doors, door hardware or modifications to doors which open on public, or secure common areas such as lobbies, tenant corridors and storage areas, must match the existing SFIA hardware in appearance and standard.
- b. Locks: Cylindrical and tubular locks, or any lock requiring an ANSI 161 prep, are prohibited. Only mortise locks are permitted. Locks must conform to the SFIA standard:
- SCHLAGE L-9000 Series, with 17A lever trim and 630 or 318 finish
  - VON DUPRIN 98, 98XP or 35 Series panic devices
  - SARGENT S2 Series mortise cipher locks

No SFIA lock or security device shall be removed, or altered in any way without the written consent of the SFIA Lock shop. Installation of doors and locks will follow the standards established by the Airport Carpenter and Locksmith Shops. It is Tenant's responsibility to inform its locksmith contractors of the standards. All locks which are for the exclusive use of the Tenant shall be rekeyed and combined by Tenant's locksmith, unless the Airport requires access, or if the door accesses a secure or sterile area.



## D. TENANT LEASEHOLD DESIGN AND CONSTRUCTION

### 1. DESIGN

- a. Plan Development and Approvals: The Tenant shall engage architectural/engineering professionals licensed by the State of California, experienced in food, retail or other concession service design to prepare Tenant's leasehold improvement plans. The Tenant is responsible for obtaining all necessary approvals including Airport Design Review Committee (DRC) design approval, SFO Infrastructure Review Committee approval (IRC), building permit issued by Building Inspection and Code Enforcement (BICE), LEED Certification (if required), ZERO Committee approval, and a Health permit issued by the San Mateo County Environmental Health Department when required. BICE will not accept an application for a building permit without prior design approval by the Airport's DRC, ZERO Committee and IRC.
- b. Design Review Committee: Tenant shall complete the design review process in a timely manner and in accordance with the Design Review Committee Guidelines – ITB, a copy of which can be downloaded at <https://sfoconnect.com/tenant-design-guidelines>.
- c. Infrastructure Review Committee: Concurrent with the Design Review Committee review process, Tenant shall submit a scope of work to the Infrastructure Review Committee on the appropriate form available at <https://sfoconnect.com/infrastructure-review-committee>. This committee reviews Tenant infrastructure plans for compliance with the Airport's standards, rules and regulations and will ensure the protection of the Airport's infrastructure.
- d. ZERO Committee: Tenants must electronically submit a Sustainability Project Narrative (noting areas of alignment with SFO's Guiding Principles of Sustainability and SFO's Sustainable Planning, Design and Construction Guidelines), Green Business Checklist, LEED Scorecard (SF GS-6 Form representing the project's LEED Checklist, CALGreen Checklist), Energy Performance Target, and a Construction and Demolition Debris Management Plan to the ZERO Committee for review during the design process. Tenant will present these materials to the ZERO Committee at a regularly scheduled meetings and be expected to provide a Final Diversion Report (Construction and Demolition Debris Report), PG&E Authorization to Receive Customer Information, Final LEED Scorecard and other related materials as requested by the ZERO Committee.
- e. BICE Review & Permitting: Tenant shall submit complete Construction Documents to BICE for review and permitting. BICE will review Tenant's plans for conformance with local, state and federal code requirements as defined in Part 1 A. Governing Codes. Tenant shall provide the Tenant Coordinator with one 1/2 size set and one electronic set of permit drawings prior to starting construction on site.
- f. San Mateo County Health Permit: Tenant shall submit an application to the County of San Mateo for a Health Permit, if applicable, concurrent with their BICE review. San Mateo County Health Permit requirements and processes can be found at [www.co.sanmateo.ca.us](http://www.co.sanmateo.ca.us).
- g. ABC Liquor License Permit: Tenants seeking a transfer, renewal, or new Liquor License may go to: <http://www.abc.ca.gov/>. For information regarding zoning as it applies to ABC forms, contact the San Mateo County Planning Department (650) 363-1850. Posting of liquor license notices shall be coordinated with the Tenant Coordinator.

### 2. CONSTRUCTION

- a. Delivery of Premises: The Airport shall provide written notification to Tenant that the tenant premises are ready for Tenant's Work.
- b. Project Management & Scheduling Personnel: Tenant shall provide a qualified project manager that will be based at the Airport during the design and construction phase. Tenant shall employ experienced scheduling personnel qualified to use the latest version of Primavera P6 EPPM for Critical Path Method (CPM) scheduling. Tenant will provide the Airport with contact information for the project manager and scheduling personnel, who may be Tenant employees or consultants, including telephone, email and address information.
- c. Work Site & Storage: All staging and storage will take place within the premises. Work sites are to be kept clean and specifically the entry to worksites facing public space must be swept or mopped daily or otherwise free of dust and dirt.
- d. Boarding Area A, Tenant's Work: Tenant's work in the main duty free store, immediately post security, shall include the following:
  - All necessary work for mechanical, electrical and plumbing, fire life safety and airport special systems to support tenant operations.
  - All necessary demolition required for new construction including all that is needed to accomplish the expansion of the premises.
  - All necessary work for transition between new and existing ceiling, floor and wall finishes.
  - New wall at duty free main store, between former duty free premises and new expanded leased premises to be Type D6A per the Attachment A.
  - Exterior wall blocking, backer plates, special framing for openings access panels or finish accessories for building systems to support tenants as part of tenant improvements.
  - Construction or demolition of ramps in the retail space.
  - Procurement and installation of all light fixtures.
  - Structural support for tenant overhead or sliding doors.
- e. Boarding Area A, Airport's Work: Airport shall deliver some of the premises to Tenant for Tenant's Work in phases. All spaces will be given to the Tenant "as is" with the exception of Space A.3.056 which will be delivered to the tenant as a warm shell such that the ceiling will be exposed concrete deck above with the finishes, lighting, electrical conduit and duct work removed. The floor will have the finishes removed, holes patched and pipes under slab removed. The walls will have all finishes removed to the metal studs that are shared with the adjacent space.
- f. Boarding Area G, Tenant's Work: Tenant shall cause all premises to be constructed based on approved designs by the DRC and permits issued by BICE, and in accordance with this Exhibit D. This work shall include in the Duty Free Main store the following:
  - All necessary work for mechanical, electrical and plumbing, fire life safety and airport special systems to support tenant operations.
  - All necessary demolition required for new construction.
  - All necessary work for transition between new and existing finishes: ceiling, floor, walls.

- Exterior wall blocking, backer plates, special framing for openings access panels or finish accessories for building systems to support tenants as part of tenant improvements.
  - Construction or demolition of ramps in the retail space.
  - Procurement and installation of all light fixtures.
  - Structural support for tenant overhead or sliding doors.
  - Demo of existing exterior tenant wall.
  - Stair, handrails and floor finish at ramp.
- g. Boarding Area G, Airport's Work: Airport shall deliver some or all Facilities to Tenant for Tenant's Work in phases, with the "Commencement Date" occurring on the date on which City is able to deliver to Tenant the first Facility. In addition, Airport will provide the following in the Boarding Area G Main Duty Free store only:
- New steel and concrete floor expansion over ramp at concourse circulation.
  - Demolition and repair of floor and ceiling finish adjacent to relocated exterior tenant wall.
  - Exterior tenant wall.
- h. Tenant Contractor Insurance: Prior to the issuance of a building permit from SFIA's Building Inspection and Code Enforcement (BICE) Tenant Contractor shall provide proof of the following insurance:
- Workers' Compensation Insurance with Employer's Liability limits not less than \$1,000,000 each accident, illness or injury.
  - Commercial General Liability Insurance with limits not less than \$1,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Contractual Liability, Personal Injury, Products Liability and Completed Operations Coverage's.
  - Commercial Automobile Liability Insurance with limits not less than \$2,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Employer's non-ownership liability and hired auto coverage's.
  - Builder's Risk Insurance on an all risk form, with coverage and limits equal to one hundred percent (100%) of the completed value to date of the work to be completed under this Tenant Work Letter.
- i. Local Hiring Ordinance: Per the San Francisco Local Hiring Ordinance (LHO), construction cannot start on any projects with an estimated cost of \$750,000 or more, until the Tenant has submitted the appropriate forms to the Airport Employment Quality & Standards office.
- j. Construction Coordination & Partnering Meetings: Tenant and/or Tenant's contractor is required to attend construction coordination and partnering meetings to ensure coordination of Tenant work and related SFO tenants. This includes, but is not limited to, Stake Holder Engagement Meetings ("SEP"), Partnering Meetings and weekly construction meetings with the Airport Project Manager.
- k. Deliveries: All Tenant deliveries will be coordinated with an Airport Duty Manager and Tenant Coordinator during the weekly construction meeting.

- l. Airport ID Badging: All construction workers are required to have an Airport ID badge while working at the airport and workers in portions of the International Terminal will require a CBP Customs Seal.
- m. Barricades: Upon receipt of notification from the Airport that the premises are ready for Tenant Work, Tenant shall install a construction barricade along openings at the lease line. Tenant is responsible for maintenance, demolition, and disposal at completion of Tenant Work. Tenant is responsible for mitigation dust control.
- n. Demolition, Cutting, Patching, and Fireproofing: The Tenant will notify the tenant coordinator at least one week in advance of any demolition, cutting and or patching that may be necessary outside the confines of the leased premises to facilitate Tenant's construction. The Tenant is responsible for maintaining the integrity of any required fire caulking and fireproofing within the confines of the leased premises. Any fireproofing that is removed by the Tenant or its subcontractors will need to be repaired by a licensed fireproofing subcontractor at the sole cost to the tenant. It is the tenants responsible for keeping the exterior floor and areas adjacent to the construction barricade clean and free of dust and debris.
- o. Ceilings and Access Doors: Tenant shall install finish ceilings throughout the premises. Tenant is responsible for providing access doors to any base building systems that may exist within the demised premises.
- p. Floor Finishes: Tenant shall install finish flooring throughout the leased premises. Tenant shall install a waterproof membrane under Tenant's finish flooring in all areas that have water service, such as kitchens, bars, etc. Tenants' finished floor shall conform to adjoining Airport floor finishes.
- q. Indemnity: Tenant's release and indemnification of Airport as set forth in Sections 12.1 and 12.2 of the Lease also shall apply with respect to any and all Losses related in any way to any act or omission of Tenant, its contractor, subcontractor, engineer, consultant, employee or agent, or anyone directly or indirectly employed by any of them, with respect to Tenant's Work, or in connection with Tenant's non-payment of any amount arising out of or related to Tenant's Work.

## **E. INTERFACING WITH INTERNATIONAL TERMINAL REFRESH PROGRAM**

### **1. PROJECT DESCRIPTION**

Companion Airport Project: The Airport will undertake a few renovation projects in immediately adjacent to and/or in support of the renovation of the duty free premises. These projects, together called the International Terminal Building Refresh Project, include: an expansion of the main duty free store on Boarding Area G; repurposing restrooms on Boarding Area A for use by duty free Tenant; repurposing a newsstand on Boarding Area G for restrooms; and contraction of the two Gucci locations (under the former duty free lease) to allow for secure connector construction from the domestic terminals. The International Terminal Building Refresh Project team ("Project") and the successful proposer for the Tenant will work side by side in the programming, design, construction, activation, commissioning, and close-out of renovated, expanded and modified spaces. It is important that both the Project and Tenant communicate and coordinate using the same methodologies.

## 2. COMMUNICATION & DELIVERABLES

All deliverables shall be provided in electronic format, unless noted below or as required by the Airport. Upon satisfaction of BICE reviews and requirements, including submittal of the "Conformed Drawings" in AutoCAD.DWG version 2002 or higher, Tenant will be issued building permit. Construction inspection requirements will be defined in the Building Permit. All spatial and/or geographic information must be developed and delivered to the Airport in AutoCAD (DWG) version 2002 or higher. Confirm the quantity and format with the Airport prior to submitting deliverables, including the design documents. The deliverable documents and format are as follows:

- a. Site Safety Plan. The following shall be included in the Site Safety Plan, at a minimum: the name and title of the designated safety representative, an evaluation of all potential hazards, a proposed method of abating each hazard, a means of enforcing safety procedures, and methods of employee communication and training. Emergency telephone numbers and locations of medical treatment facilities shall also be provided. Submit two (2) copies of the Site Safety Plan to the Airport within fifteen (15) working days prior to the start date of the construction work.

Tenant's contractors will comply with all local, state and federal OSHA guidelines to support San Francisco International Airport's core value "Safety and Security is our first priority." All tenant contractors shall present a jobsite construction safety program to the tenant coordinator prior to starting any work at SFO.

- b. Phasing Plan. Tenant, in consultation with the Airport, shall develop a phasing plan that delivers the Airport's goals of maintaining as many concessions open during construction as possible without affecting operations and ensuring that safety, security and a high level of passenger experience is maintained. The phasing plan shall show impacts to MEP, fire life safety systems and exiting diagrams for each and every phase of the Project. The Phasing Plan shall be updated and resubmitted with each Design Review Submittal and continually throughout the duration of the Project as deemed necessary by the Airport.
- c. Occupancy Phasing Plan. When temporary or partial utilization is required to enable project phasing prior to project substantial completion, a phased occupancy plan must be submitted and approved by the SFO, BICE and the SFFD prior to the start of construction. Each area to be occupied must be independently code-compliant and all Life Safety systems approved by both the fire and building officials. At a minimum the plan must address and/or include the following:
  - Emergency egress pathway, required signage, address ADA accessibility.
  - Normal and emergency lighting, including exit signs.
  - Heating, Ventilating, and Air Conditioning (HVAC). Mechanical systems serving the completed phase must be completed to the points of service and discharge.
  - Emergency response plan.
  - Access to and within the occupied area, separate from the construction (without requiring the occupants to exit through the construction areas)
  - All construction staging areas.
  - Phase boundaries, including the identification of approved barricade types used to create the physical separation between construction and operations/public areas.

- d. Work Schedules and Reports. Tenant shall provide work schedules to the Airport to incorporate into the Project's Master Schedule. Work schedules shall be based on and incorporate identified project milestones and completion dates set by the Lease. All activity durations shall be in Working Days. The standard work week shall be Monday through Friday and the standard workday shall be defined as a calendar day of twenty four (24) hours beginning at midnight, prevailing time. Tenant shall use Primavera P6 EPPM, latest version and transmit files in PDF format and back up files in XER format to Airport electronically when requested by the Airport.
- e. Initial CPM Schedule. The Initial Construction Project Management ("CPM") schedule shall be submitted for review at the Preconstruction Conference and should include the following:
- Programming
  - All work activities, including design review and design work package submittals
  - Construction schedule, mobilization of plant and equipment, fabrication and delivery of all items necessary to accomplish the work depicted in the initial schedule as well as long lead items
  - Tenant shall make any corrections to the initial schedule which are identified in the Preconstruction Conference and resubmit the document to the Airport within 7 working days of the conference
- f. Baseline CPM Schedule. The proposed Baseline CPM Schedule shall be submitted within the first sixty (60) days of Notice to Proceed. The Baseline CPM Schedule shall present an orderly and realistic plan for completion of the work. The Schedule shall be developed collaboratively with the Airport. The Baseline Schedule shall be time-scaled and include the following:
- Construction delivery schedule. The start and completion dates of all items of work, their major components, and milestone completion dates, descriptions and what work is to be accomplished where.
  - Airport furnished materials and equipment, if any, identified as separate activities.
  - Activities for maintaining project record documents.
  - Dependencies (or relationships) between activities.
  - Processing/approval of submittals and BICE drawings. Activities that are dependent on submittal acceptance or material delivery shall not be scheduled to start earlier than expected acceptance or delivery dates.
  - Procurements of major equipment, fixtures or mill work.
  - Resources required (labor- persons/days and person/hours) for each activity.
  - Identification of interfaces with the work of contractors for other projects, including other Airport tenants and agencies such as utility companies.
  - Furnish copies of major subcontractors' schedules (such as millwork, electric and mechanical) upon which CPM was built. For each subcontractor, provide certification on subcontractor letterhead that the Subcontractor concurs with the Baseline CPM Schedule; the Subcontractor's related schedules have been incorporated including activity duration,

cost and resource loading; and the Subcontractor's schedule is independently derived and not a copy of the General Contractor's schedule.

- g. Monthly Project Status Report: In addition to the Monthly CPM Schedule Update, Tenant shall provide a monthly project status report which shall include:
- CPM schedule update reflecting actual progress and any anticipated changes to planned activities
  - Status of major components (percent complete, amount of time ahead or behind schedule) and an explanation of how the Project can be brought back on schedule.
  - Progress made on critical activities.
  - All changes to schedule.
  - List of critical activities scheduled to be performed next month.
  - Status of major material and equipment procurements, design development and Trade Package delivery schedule.
  - Any other information pertinent to status of the project.
- h. Project Risk Register: Tenant is responsible for identifying items of impact and providing input for the Project Risk Register.

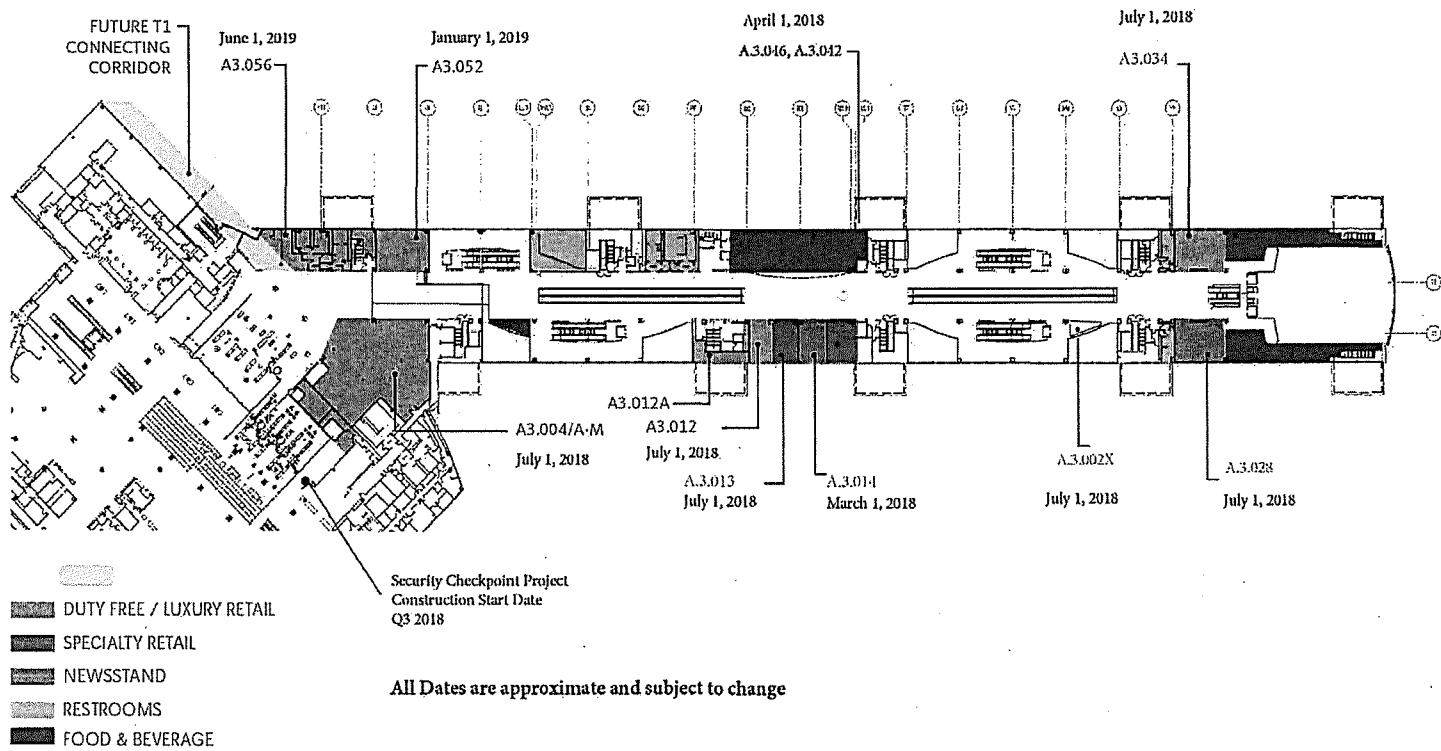
### 3. **Basis of Design and Project Manual**

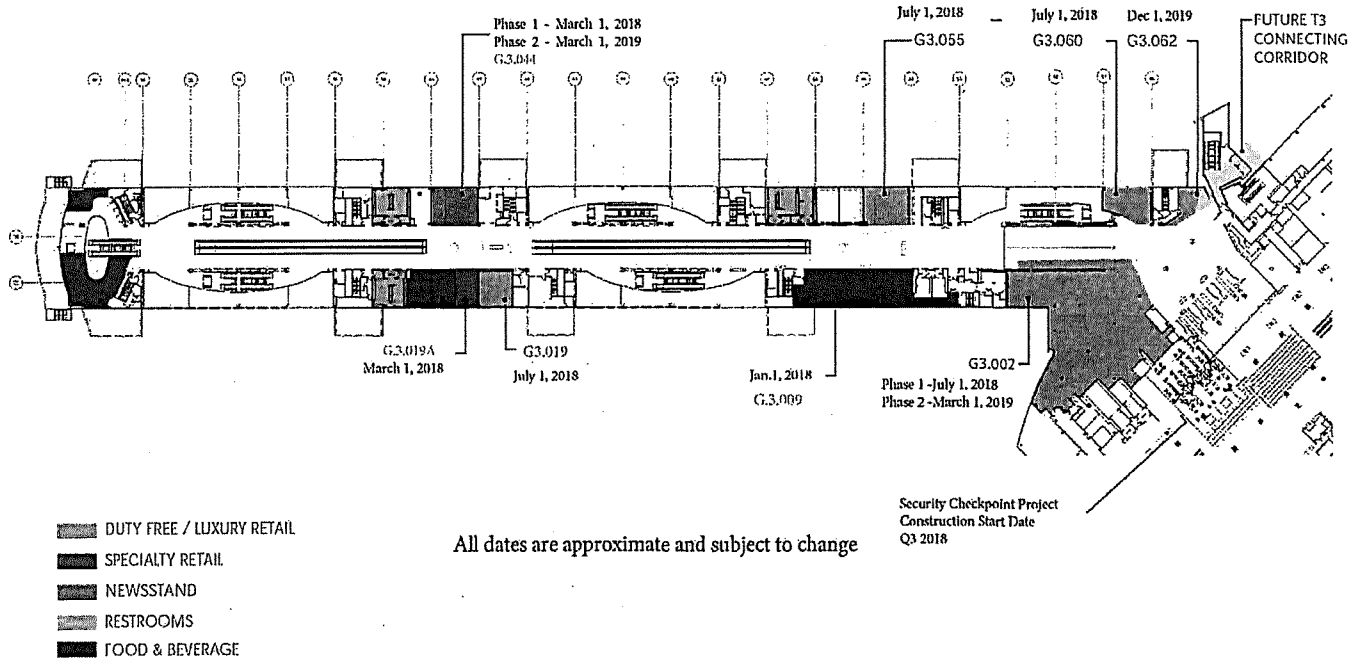
- a. Basis of Design: Working collaboratively with the Project Team, Tenant shall provide a comprehensive Basis of Design ("BOD"). This BOD should be created using input from each Stake Holder Engagement meeting. The BOD shall, at a minimum, include the following information:
- Executive summary for the Project
  - Programmed space summary with square footage
  - Design Review Committee Approved Design, including at a minimum, Conceptual site and floor plans, documents, and interior and exterior elevations
  - Diagrams to illustrate Structural, Mechanical, Electrical, Plumbing and Special Systems concepts

**EXHIBIT E**  
**SCHEDULED PREMISES DELIVERY DATES**

The estimated delivery date for each Facility set forth on Exhibit E is for reference purposes only, and is subject to change at City's sole and absolute discretion.







AIRPORT COMMISSION  
CITY AND COUNTY OF SAN FRANCISCO  
RESOLUTION NO. 17-0303

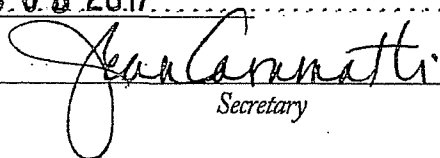
**AWARD OF THE INTERNATIONAL TERMINAL DUTY FREE AND LUXURY STORES LEASE**

- WHEREAS, by Resolution No. 17-0030, adopted on February 21, 2017, the Commission authorized Staff to commence the request for proposals process for the International Terminal Duty Free and Luxury Stores Lease (“Lease”); and
- WHEREAS, by Resolution No. 17-0126 adopted June 6, 2017, the Commission approved the minimum qualification requirements and lease specifications, and authorized Staff to accept proposals for the Lease; and
- WHEREAS, on September 15, 2017, Staff received four proposals for the Lease from the following proposers: DFS Group, LP; Dufry North America, LLC; Duty Free Americas San Francisco, LLC; and Travel Retail San Francisco, LLC; and
- WHEREAS, a six-member panel reviewed the qualifying proposals and determined DFS Group L.P. to be the highest-ranking, responsive, and responsible proposer; now, therefore, be it
- RESOLVED, that this Commission hereby awards the International Terminal Duty Free and Luxury Stores Lease to DFS Group L.P., under the conditions set forth in the Staff memorandum on file with the Commission Secretary, including but not limited to a term of 14 years with an automatic extension up to five years to ensure the tenant has five years to operate in a newly created International Terminal central retail plaza if it is constructed, and a Minimum Annual Guarantee of \$42,000,000.00 for the first year of the Lease, and subject to its compliance with the Nondiscrimination in Employment Program and Equal Benefits Ordinance; and, be it further
- RESOLVED, that the Airport Commission authorizes the Airport Director to enter into any modifications to the Lease that the Airport Director determines, in consultation with the City Attorney, are in the best interests of the City and County of San Francisco, do not otherwise materially increase the obligations or liabilities of the City, are necessary or advisable to effectuate the purposes of the Lease or this Resolution, and are in compliance with all applicable laws, including the Charter of the City and County of San Francisco; and, be it further
- RESOLVED, that the Commission Secretary is hereby directed to request approval 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*

DEC 05 2017

  
Secretary



San Francisco International Airport

December 26, 2017

RECEIVED  
BOARD OF SUPERVISORS  
SAN FRANCISCO  
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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 the International Terminal Duty Free and Luxury Stores Lease No. 17-0303, between DFS Group, LP 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 the International Terminal Duty Free and Luxury Stores Lease No. 17-0303, between DFS Group, LP and the City and County of San Francisco, acting by and through its Airport Commission. The Airport Commission has awarded the International Terminal Duty Free and Luxury Stores Lease to DFS Group, LP by Resolution No. 17-0303 on December 5, 2017.

Original and two copy sets of the following documents are enclosed for review:

- Board of Supervisors Resolution;
- Approved Airport Commission Resolution No. 17-0303;
- Ethics Form SFEC-126 for the Board of Supervisors;
- Ethics Form SFEC-126 for the Mayor's Office;
- Copy of International Terminal Newsstand and Specialty Retail Concession Lease No. 17-0303.

Please contact Cheryl Nashir of Airport Revenue Development and Management at 650.821.4500, if you have questions or concerns regarding this matter.

Very truly yours,

  
Jean Caramatti  
Commission Secretary

Enclosures

cc: Cheryl Nashir, Revenue Development and Management

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

IVAR C. SATERO  
AIRPORT DIRECTOR

**FORM SFEC-126:**  
**NOTIFICATION OF CONTRACT APPROVAL**  
(S.F. Campaign and Governmental Conduct Code § 1.126)

<b>City Elective Officer Information</b> <i>(Please print clearly.)</i>	
Name of City elective officer(s): <b>Members, SF Board of Supervisors</b>	City elective office(s) held: <b>Members, SF Board of Supervisors</b>
<b>Contractor Information</b> <i>(Please print clearly.)</i>	
Name of contractor: <b>DFS Group, LP</b>	
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 in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary. <b>(1) N/A; (2) Ed Brennan – CEO, Mark James – CFO, Tim Delessio – President of Store Operations; (3) LVMH Moet Hennessy, Chamarac Properties, Inc. ; (4) Bay Cities concessions, JR Lester &amp; Associates , Marilla Chocolate Co., Skyline Concessions, Inc., Skyview Concessions, Inc. ; (5) N/A</b>	
Contractor address: <b>1580 Francisco Street, Torrance, CA 90501</b>	
Date that contract was approved:	Amount of contract: <b>\$42,000,000 (MAG for first year of contract)</b>
Describe the nature of the contract that was approved: <b>11 duty free and luxury stores located in the International Terminal, and one duty free store in Terminal 1, Boarding Area B (International Terminal Duty Free and Luxury Stores Lease #17-0303).</b>	
Comments: <b>Lease awarded through a Request for Proposal Process.</b>	

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

<b>Filer Information</b> <i>(Please print clearly.)</i>	
Name of filer: <b>Angela Calvillo, Clerk of the Board</b>	Contact telephone number: <b>(415) 554-5184</b>
Address: <b>City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., SF, CA 94102</b>	E-mail: <b>Board.of.Supervisors@sfgov.org</b>

\_\_\_\_\_  
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

