

File No. 200061

Committee Item No. 5

Board Item No. 12

# COMMITTEE/BOARD OF SUPERVISORS

## AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date July 22, 2020

Board of Supervisors Meeting

Date July 28, 2020

### Cmte Board

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|-------------------------------------|-------------------------------------|--|
| <input type="checkbox"/>            | <input type="checkbox"/>            | Motion                                       |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution                                   |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Digest                           |
| <input 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 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 checked="" type="checkbox"/> | Contract/Agreement                           |
| <input checked="" type="checkbox"/> | <input checked="" 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 checked="" type="checkbox"/> | <u>Airport Commission Resolution</u> |
| <input type="checkbox"/>            | <input type="checkbox"/>            | _____                                |
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Completed by: Linda Wong

Date July 17, 2020

Completed by: Linda Wong

Date July 23, 2020

1 [Ground Lease Modification - United Airlines, Inc. - Exchange of Certain Land - Plot 6  
2 Reconfiguration Project - Decrease Annual Rent to \$2,243,041.43]

3 **Resolution approving Modification No. 2 to Ground Lease L00-0464, between the City**  
4 **and County of San Francisco, acting by and through its Airport Commission, and**  
5 **United Airlines, Inc., for the exchange of certain land at Plot 6 at San Francisco**  
6 **International Airport in support of the Plot 6 Reconfiguration Project, decreasing the**  
7 **annual rent payable by United by \$95,297.07 to an approximate total of \$2,243,041.43 to**  
8 **commence following Board approval and full execution of Modification No. 2, and with**  
9 **no changes to the term expiring on June 30, 2021.**

10  
11 WHEREAS, On December 19, 2000, by Resolution No. 00-0464, the Airport  
12 Commission (the "Commission") approved Ground Lease L00-0464 (the "Lease") with United  
13 Airlines, Inc. ("United") for a portion of Plot 6 ("United Plot 6 Premises") at San Francisco  
14 International Airport (the "Airport"); and

15 WHEREAS, On June 1, 2001, by Resolution No. 403-01, the Board of Supervisors  
16 approved the Lease; and

17 WHEREAS, On June 7, 2011, by Resolution No. 11-0135, the Commission approved  
18 Modification No. 1 to the Lease, which adjusted the annual rent payable by United and  
19 extended the term of the Lease to June 30, 2021 ("Modification No. 1"); and

20 WHEREAS, On January 10, 2012, by Resolution No. 1-12, the Board of Supervisors  
21 approved Modification No. 1; and

22 WHEREAS, As part of the Airport's ongoing efforts to maximize the efficient use of  
23 ramp space in and around the terminals, the Airport is developing additional aircraft parking  
24 and making certain other related improvements and alterations affecting Plot 6 (the "Plot 6  
25 Project"), including portions affecting certain areas of United Plot 6 Premises; and

1           WHEREAS, Completion of the Plot 6 Project requires the following adjustments to  
2 United Plot 6 Premises, which is set forth in Modification No. 2 to the Lease: (i) City will  
3 recapture certain portions of United Plot 6 Premises designated as “City Recapture Parcels,”  
4 consisting of approximately 1.79 acres, and (ii) in exchange, City will convey to United those  
5 certain portions of land designated as the “Additional United Lease Parcels,” consisting of  
6 approximately 1.28 acres (“Modification No. 2”); and

7           WHEREAS, Modification No. 2 results in a net decrease of United Plot 6 Premises by  
8 approximately 0.51 acres and a commensurate decrease in the annual rent payable by United  
9 by \$95,297.07, to approximately \$2,243,041.43; and

10          WHEREAS, On December 3, 2019, by Resolution No. 19-0303, the Commission  
11 approved Modification No. 2; and

12          WHEREAS, A copy of Modification No. 2 is on file with the Clerk of the Board of  
13 Supervisors in File No. 200061, which is hereby declared to be part of this Resolution as if set  
14 forth fully herein; now, therefore, be it

15          RESOLVED, That the Board of Supervisors hereby approves Modification No. 2, to be  
16 effective on the latest date when (i) the Commission and the Board of Supervisors shall have  
17 approved Modification No. 2, and (ii) the City and United have executed Modification No. 2;  
18 and, be it

19          FURTHER RESOLVED, That within thirty (30) days of Modification No. 2 being fully  
20 executed by all parties, the Commission shall provide a copy of the final Modification No. 2 to  
21 the Clerk of the Board for inclusion into the official file.

22  
23  
24  
25

**MODIFICATION NO. 2 TO  
LEASE OF PLOT 6  
AT SAN FRANCISCO INTERNATIONAL AIRPORT  
UNITED AIRLINES, INC.**

THIS **MODIFICATION NO. 2 OF LEASE OF PLOT 6** (this "**Modification**"), dated as of the Effective Date (as defined below), is entered into by and between the City and County of San Francisco, acting by and through its Airport Commission ("**City**"), and United Airlines, Inc., a Delaware corporation, as lessee ("**Airline**").

**Recitals**

A. The City and County of San Francisco 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 chief executive officer of which is the Airport Director.

B. Pursuant to Airport Commission Resolution No. 00-0464 adopted December 19, 2000, and Board of Supervisors' Resolution No. 403-01 adopted June 1, 2001, Airline became a signatory to the Lease of Plot 6 (Lease No. L00-0464) whereby Airline occupied approximately 16.04 acres of land at Plot 6, together with existing City owned buildings and structures, including Buildings 575 and 585, for an original lease term of twelve (12) years and one (1) month commencing retroactively on June 1, 1999 and expiring on June 30, 2011 (the "**Original Lease**").

C. Pursuant to Airport Commission Resolution No. 11-0135 adopted June 6, 2011, and Board of Supervisors Resolution No. 0001-12 adopted January 12, 2012, Airline and City entered into that certain Modification No. 1 to Lease of Plot 6, San Francisco International Airport – United Airlines, dated as of July 1, 2011 (which was made expressly conditioned upon approval of Commission and the Board of Supervisors) ("**Modification No. 1**", and together with the Original Lease and this Modification, collectively, the "**Lease**"), which among other things, amended the Original Lease to (i) extend the original term of the lease for an additional ten (10) years commencing on July 1, 2011 and terminating on June 30, 2021; (ii) adjusted the Demised Premises such that it is comprised of 12.54 acres of land, including 12.514 acres situated on a portion of Plot 6, together with the existing Building 585, and 0.025 acres situated within the Building 575 lot, together with an existing electric substation and a Rights-of-Way thereto; and (iii) adjusted amounts of Annual Rent payable under the Original Lease. The existing Demised Premises in effect from and after Modification No. 1 (but prior to the transactions contemplated under this Modification) is described on **Exhibit A** attached hereto (the "**Existing Demised Premises**").

D. As part of the Airport's ongoing efforts to maximize the efficient use of ramp space in and around the terminals, the Airport is developing additional aircraft parking and making certain other related improvements and alterations affecting Plot 6, including portions affecting certain areas of the Demised Premises (the "**Plot 6 Reconfiguration Project**").

E. In furtherance of the Plot 6 Reconfiguration Project, the City and United entered into that certain letter agreement, dated September 13, 2019 (the "**Plot 6 Letter Agreement**"), pursuant to which (i) United expressly agreed to the City's performance of certain preliminary project enabling work on the Demised Premises, and (ii) United agreed to perform certain portions of such preliminary project enabling work (as further described in the Plot 6 Letter Agreement, collectively, the "**Preliminary Enabling Work**").

F. Completion of the Plot 6 Reconfiguration Project requires the following adjustments to the Existing Demised Premises, currently anticipated to occur on or about October 1, 2019: (i) City will recapture those certain portions of the Existing Demised Premises designated as the “**City Recapture Parcels**,” and (ii) in exchange, City will convey to United those certain portions of land designated as the “**Additional United Lease Parcels**,” which will become part of the Demised Premises under the Lease, all as described and set forth on Exhibit B attached hereto (the “**Exchanged Premises**”).

G. Airline and City now desire to enter into this Modification to provide for the exchange of the City Recapture Parcels and the Additional United Lease Parcels by the parties, as set forth above, in support of the Plot 6 Reconfiguration Project, and modify the Demised Premises and adjust the Annual Rent accordingly, and provide for other ancillary changes.

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

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

(a) The effective date (the “**Effective Date**”) of this Modification shall be the latest date upon which each of the following conditions shall have been satisfied: (1) the Airport Commission and Board of Supervisors shall have approved this Modification; and (2) both parties have executed this Modification (the “**Effective Date Conditions**”). Upon the satisfaction of the Effective Date Conditions, City shall notify Airline in writing of the date upon which the Effective Date shall have occurred by delivering a fully executed copy of this Modification to Airline, which such Effective Date shall be inserted in the space set forth below:

Effective Date: \_\_\_\_\_, 2019

(b) Capitalized terms not defined herein shall have the meanings given them in the Original Lease or Modification No. 1, as the context may require.

**2. Plot 6 Reconfiguration.**

(a) Upon or any time after the Effective Date, City shall provide five (5) business days’ advance written notice of the date upon which the City will recapture the City Recapture Parcels and the Demised Premises shall be increased by the Additional United Lease Parcels (the “**Actual Plot 6 Reconfiguration Date**”). Upon the Actual Plot 6 Reconfiguration Date, Airline shall surrender the City Recapture Parcels to City, and City shall deliver to Airline the Additional United Lease Parcels in its “As-Is” condition pursuant to Section 9.1 of the Original Lease, subject to the modifications to the parcels undertaken by the parties as part of the Preliminary Enabling Work.

(b) Notwithstanding the foregoing, if due to unforeseen developments in the progression of the Plot 6 Reconfiguration Project, or it becomes otherwise necessary and desirable for project efficiency and management of the project for the parties to exchange the City Recapture Parcels and the Additional United Lease Parcels in separate steps (each a “**Separate Parcel Conveyance Date**”), City shall have the right to cause the adjustment of the parcels to occur on separate dates, in the reasonable discretion of City, but with at least five (5) business days’ notice to United. The Demised Premises of the Lease shall be considered adjusted by the City Recapture Parcels and the Additional United Lease Parcels on the dates specified by City in a written notice to United, which such written notice shall be acknowledged in writing by United, and which such notice shall be incorporated into and considered a part of this

Modification, but which shall not constitute a separate or additional modification of the Lease (the “**Separate Parcel Conveyance Notice**”).

**3. Adjustments to City Recapture Parcels and Additional United Lease Parcels.**

Notwithstanding anything herein to the contrary, in acknowledgement of the fact that, upon completion of the Plot 6 Reconfiguration Project, minor adjustments to the exact size and description of the City Recapture Parcels and/or the Additional United Lease Parcels may be necessary. In consideration of the foregoing, in the event that the final “as-built” size and/or dimension of the City Recapture Parcels and/or the Additional United Lease Parcels differ from the descriptions set forth in this Modification, the parties may adjust such parcels in an amount not-to-exceed ten percent (10%) of the total acreage of the combined area of the City Recapture Parcels and the Additional United Lease Parcels set forth in this Modification (“**Parcel Adjustments**”), but only to the extent consistent with the overall objectives of the Plot 6 Reconfiguration Project. Upon the agreement by the parties of such Parcel Adjustments, the same shall be memorialized in a written notice from Airport to United, which such notice shall be acknowledged in writing by United, and which such notice shall be incorporated into and considered a part of this Modification, but which shall not constitute a separate or additional modification of the Lease (the “**Parcel Adjustment Notice**”).

**4. Annual Rent.** The Annual Rent for the adjustment of the Demised Premises under this Modification shall be adjusted accordingly as of the Actual Plot 6 Reconfiguration Date, or on the Separate Parcel Conveyance Dates as set forth in the Separate Parcel Conveyance Notice, as applicable.

**5. Exhibits.** From and after the Actual Plot 6 Reconfiguration Date, Exhibit B of Modification No. 1 shall be deleted in its entirety and substituted with Airport Drawing No. PLOT6UAFINAL dated August 30, 2019, incorporated herein and attached hereto as **Exhibit C** (the “**Lease Modification No. 2 New Demised Premises**”). In the event of a Parcel Adjustment pursuant to Section 3 above, Exhibit C shall be further replaced with a revised legal description and/or drawing setting forth the adjusted Lease Modification No. 2 New Demised Premises, and which shall be attached to the Parcel Adjustment Notice.

**6. Appendix A to the Original Lease.** Subsection 1(f) of Appendix A to the Original Lease is hereby deleted in its entirety and is of no further force or effect.

**7. City and Other Governmental Provisions.** The following new Sections shall be added to Article 18 of the Lease:

**18.25 Vending Machines: Nutritional Standards and Calorie Labeling Requirements**

Airline shall not install or permit any vending machine on the Demised Premises or Right-of-Way without the prior written consent of the Airport Director. Any permitted vending machine must comply with the food and beverage nutritional standards and calorie labeling requirements set forth in San Francisco Administrative Code section 4.9-1(c), as may be amended from time to time (the “**Nutritional Standards Requirements**”). Airline agrees to incorporate the Nutritional Standards Requirements into any contract for the installation of a vending machine on the Demised Premises and Right-of-Way or for the supply of food and beverages to that vending machine. Failure to comply with the Nutritional Standards Requirements or to otherwise comply with this Section shall be deemed a material breach of this Lease. Without limiting City’s other rights and remedies under this Lease, City shall have the right to require the immediate removal of any vending machine on the Demised Premises or Right-of-Way that is not permitted or that violates the Nutritional Standards Requirements. In addition, any Restaurant, including any employee eating establishment, located on the Demised Premises or Right-of-Way

is encouraged to ensure that at least 25% of Meals (as capitalized terms are defined in San Francisco Administrative Code section 4.9-1) offered on the menu meet the nutritional standards set forth in San Francisco Administrative Code section 4.9-1(e), as may be amended.

**18.26 All-Gender Toilet Facilities**

If applicable, Airline shall comply with San Francisco Administrative Code Section 4.1-3 requiring at least one all-gender toilet facility on each floor of the building where extensive renovations take place and toilet facilities are required or provided. An “all-gender toilet facility” means a toilet that is not restricted to use by persons of a specific sex or gender identity by means of signage, design, or the installation of fixtures, and “extensive renovations” means any renovation where the construction cost exceeds 50% of the cost of providing the toilet facilities required by this Section.

**18.27 Prohibition Against Tobacco Product Sales, Manufacture and Distribution.**

Tenant acknowledges and agrees that no Sales, Manufacture or Distribution of Tobacco Products (as such terms are defined in San Francisco Health Code Section 19K.1) is allowed on the Premises, and such prohibition must be included in all subleases or other agreements allowing use of the Premises. The prohibition against Sales, Manufacture, or Distribution of Tobacco Products does not apply to persons who are affiliated with an accredited academic institution where the Sale, Manufacture, and/or Distribution of Tobacco Products is conducted as part of academic research.

**8. Full Force and Effect.** As modified hereby, each and every one of the terms, conditions, and covenants in the Agreement shall remain in full force and effect.

////////////////////

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

AIRLINE: United Airlines, Inc.,  
a Delaware corporation

By: 

Name: Pranav Trivedi

Title: Managing Director- Airport Affairs  
Corporate Real Estate

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

Name: \_\_\_\_\_

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

CITY: CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation,  
acting by and through its Airport Commission

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

AUTHORIZED BY AIRPORT  
COMMISSION

Resolution No. 19- 0303

Adopted: December 3, 2019

Attest: \_\_\_\_\_

Secretary  
Airport Commission

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

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

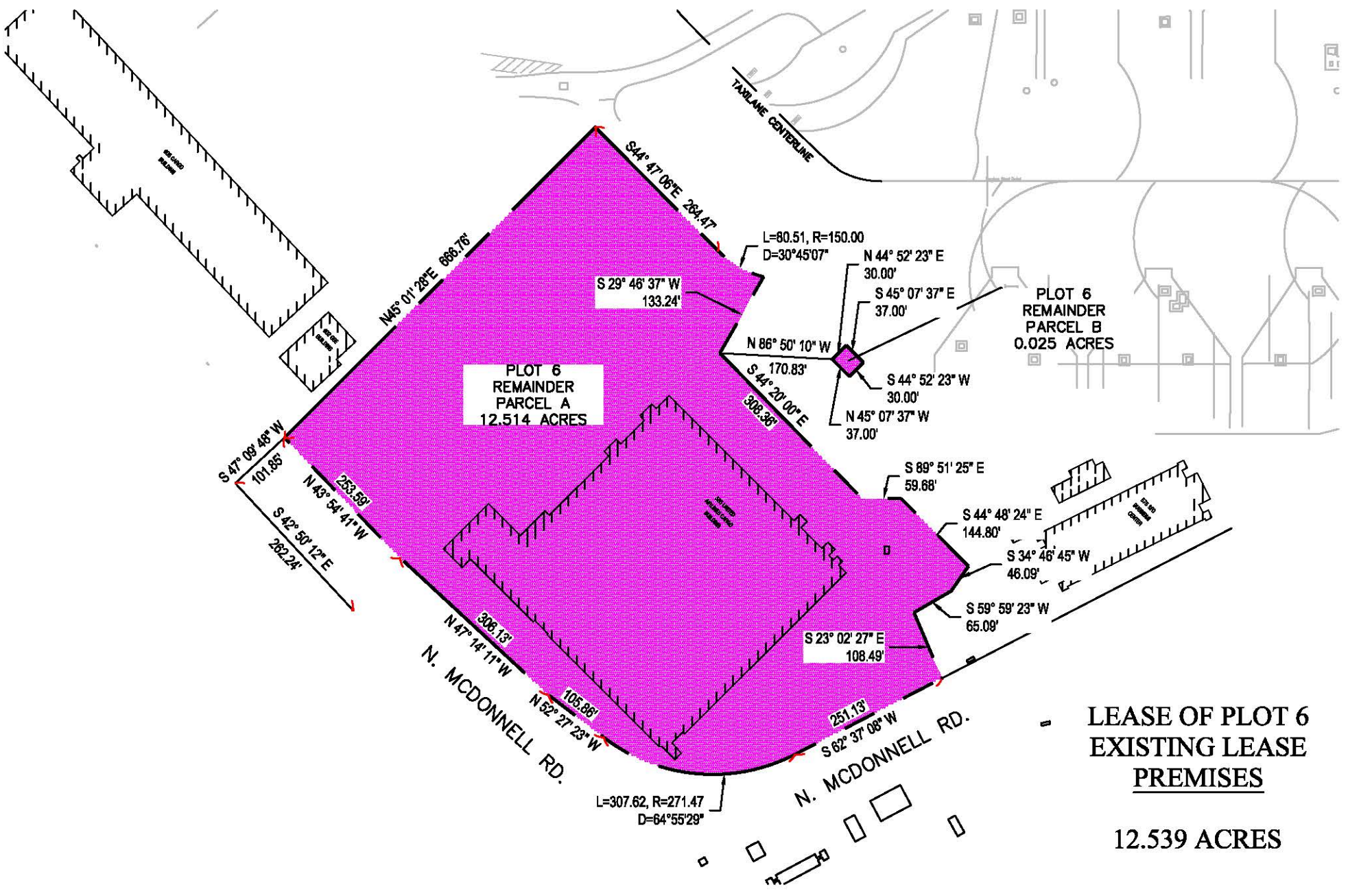
10.29.19  
X:\TENANTS\AIRLINES\LEASES\United Plot 6 Lease Mod No 2- SFO Draft v8 102919.docx



**EXHIBIT A**

**EXISTING DEMISED PREMISES**

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# LEASE DRAWING

LOCATION: PLOT 6 BUILDING 585

TENANT: UNITED AIRLINES

AIRPORT COMMISSION

DWG: PLOT6UAEX

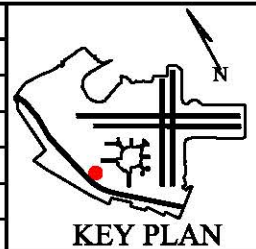
CITY & COUNTY OF SAN FRANCISCO

DATE: 08/30/2019

SAN FRANCISCO INTERNATIONAL AIRPORT

SCALE: NTS

ROOM NUMBER	AREA	CAT	CONTRACT	EFF. DATE
PARCEL A	12.514 AC.			
PARCEL B	0.025AC.			



**EXHIBIT B**

**EXCHANGED PREMISES**

LEASE OF PLOT 6  
UNCHANGED PREMISES

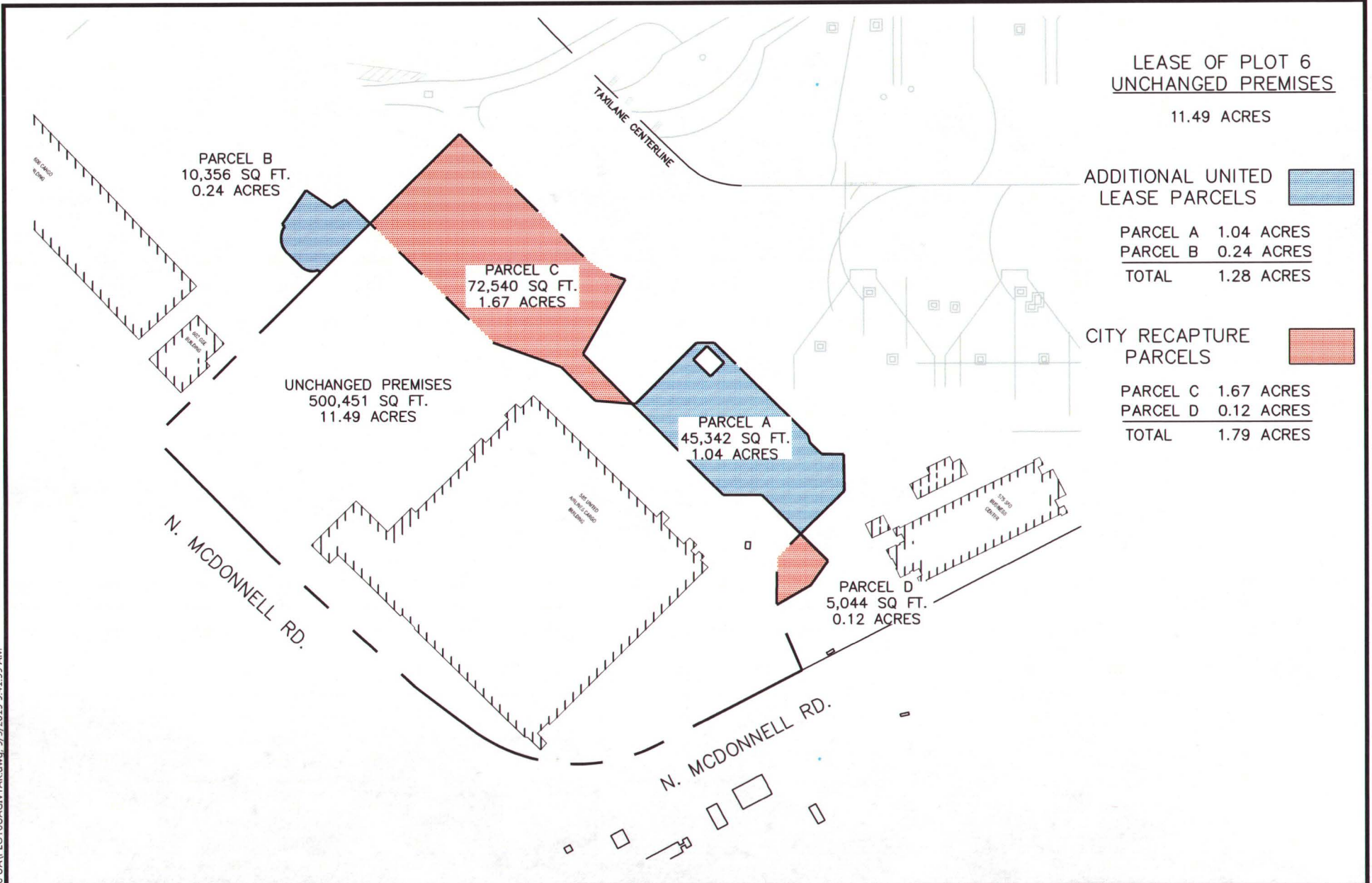
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ADDITIONAL UNITED  
LEASE PARCELS

PARCEL A 1.04 ACRES  
PARCEL B 0.24 ACRES  
TOTAL 1.28 ACRES

CITY RECAPTURE  
PARCELS

PARCEL C 1.67 ACRES  
PARCEL D 0.12 ACRES  
TOTAL 1.79 ACRES



LEASE DRAWING

LOCATION: PLOT 6 BUILDING 585

TENANT: UNITED AIRLINES

AIRPORT COMMISSION

DWG: PLOT6UAGIVTAK

CITY & COUNTY OF SAN FRANCISCO

DATE: 08/30/2019

SAN FRANCISCO INTERNATIONAL AIRPORT

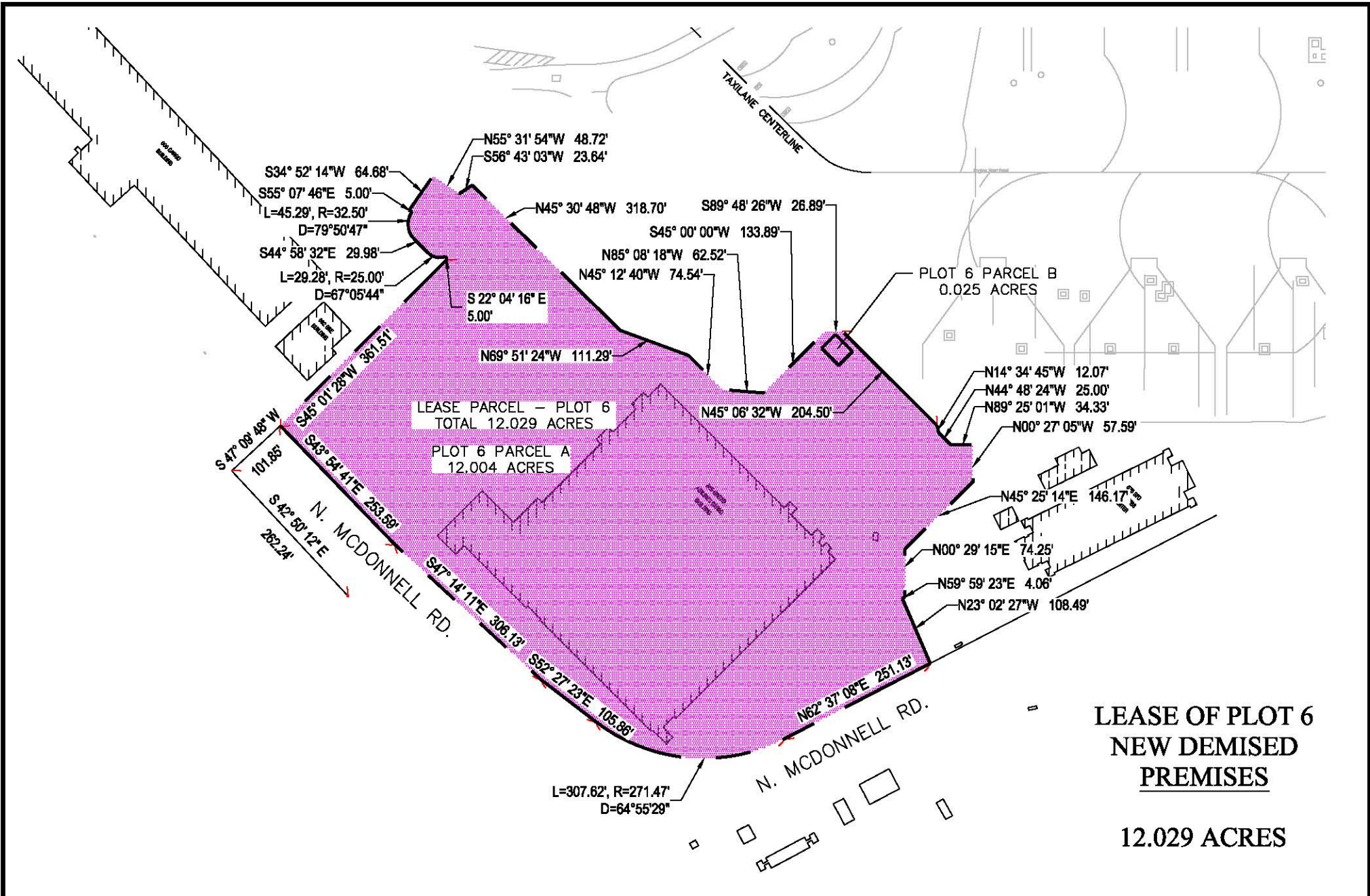
SCALE: NTS

ROOM NUMBER	AREA	CAT	CONTRACT	EFF. DATE
PLOT 6				



**EXHIBIT C**

**LEASE MODIFICATION NO. 2 - NEW DEMISED PREMISES**



# LEASE DRAWING

LOCATION: PLOT 6 BUILDING 585

TENANT: UNITED AIRLINES

AIRPORT COMMISSION

DWG: PLOT6UAFINAL

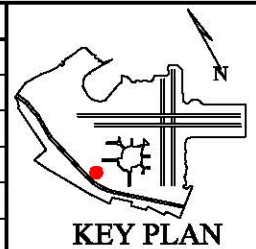
CITY & COUNTY OF SAN FRANCISCO

DATE: 08/30/2019

SAN FRANCISCO INTERNATIONAL AIRPORT

SCALE: NTS

ROOM NUMBER	AREA	CAT	CONTRACT	EFF. DATE
PARCEL A	12.004AC			
PARCEL B	0.025AC			





**MEMORANDUM**

December 3, 2019

TO: AIRPORT COMMISSION  
Hon. Larry Mazzola, President  
Hon. Linda S. Crayton, Vice President  
Hon. Eleanor Johns  
Hon. Richard J. Guggenlime  
Hon. Malcolm Yeung

19-0303

DEC - 3 2019

FROM: Airport Director

SUBJECT: Modification No. 2 to Ground Lease L00-0464 with United Airlines, Inc. for the Exchange of Certain Land at Plot 6 in Support of the Plot 6 Reconfiguration Project

DIRECTOR'S RECOMMENDATION: APPROVE MODIFICATION NO. 2 TO UNITED AIRLINES, INC.'S GROUND LEASE L00-0464 TO EXCHANGE CERTAIN LAND AT PLOT 6 IN SUPPORT OF THE PLOT 6 RECONFIGURATION PROJECT.

**Executive Summary**

The Airport is developing additional aircraft parking positions in and around Plot 6 as part of the Plot 6 Reconfiguration Project (Plot 6 Project) impacting some portions of the demised premises of United Airlines Ground Lease L00-0464 (United Lease). Staff has negotiated with United Airlines, Inc. (United) an exchange of certain parcels of land under the United Lease for certain parcels of Airport land pursuant to Modification No. 2 to the Lease (Modification No. 2). The terms of Modification No. 2 provide for the exchange of parcels between the Airport and United, that results in (i) a net decrease of the United Lease Premises by approximately 0.51 acres, and (ii) decreases the annual rent payable by United to \$2,243,031.43.

**Background**

The Airport owns real property at 585 McDonnell Road, San Francisco, California, designated as Plot 6. On December 19, 2000, by Resolution No. 00-0464, the Airport Commission (Commission) approved the Lease with United for certain portions of Plot 6 (the United Plot 6 Premises). On June 1, 2001, by Resolution No. 403-01, the Board of Supervisors approved the Lease. United uses the United Plot 6 Premises for air cargo operations and employee parking.

On June 7, 2011, by Resolution No. 11-0135, the Commission approved Modification No. 1 to the Lease (Modification No. 1). On January 12, 2012, by Resolution No. 1-12, the Board of Supervisors approved Modification No. 1. Under Modification No. 1, the original term of the United Lease, which expired on June 30, 2011, was extended for an additional ten (10) years, commencing July 1, 2011 and terminating June 30, 2021. The current Annual Rent under Modification No. 1 is \$2,338,328.50 per year.

As part of the Airport's ongoing efforts to maximize the efficient use of ramp space in and around the terminals, as part of the Plot 6 Project, the Airport is developing additional remote aircraft parking

THIS PRINT COVERS CALENDAR ITEM NO. 15

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED MAYOR    LARRY MAZZOLA PRESIDENT    LINDA S. CRAYTON VICE PRESIDENT    ELEANOR JOHNS    RICHARD J. GUGGENHIME    MALCOLM YEUNG    IVAR C. SATERO AIRPORT DIRECTOR

positions and making other related improvements in and around Plot 6. As a result, certain portions of the United Plot 6 Premises must be reconfigured.

The Plot 6 Project requires adjustments to the United Plot 6 Premises such that certain portions of the United Plot 6 Premises will be recaptured by the City (City Recapture Parcels), and in exchange, the City will convey to United certain portions of adjacent land currently outside of the United Plot 6 Premises (Additional United Lease Parcels). The City Recapture Parcels total approximately 1.79 acres, and the Additional United Lease Parcels total approximately 1.28 acres. Upon the completion of the reconfiguration, the United Lease Premises will be reduced by approximately 0.51 acres, resulting in a reduced annual rent payable by United to \$2,243,031.43

### **Proposal**

Modification No. 2 includes the following major terms:

- 1. Effective Date:** The effective date shall be the latest date when (1) the Commission and the Board of Supervisors shall have approved Modification No. 2, and (2) both parties have executed Modification No. 2.
- 2. Plot 6 Reconfiguration:** With five business days' advance written notice to United, the City will recapture the City Recapture Parcels and the City will convey to United the Additional United Lease Parcels. United's final demised Premises will be comprised of approximately 12.029 acres, including 0.025 acres containing an electric substation shared with the Airport, for a net decrease of approximately 0.51 acres.
- 3. Adjustments to Exchanged Parcels:** The parties may adjust the parcels in an amount not-to-exceed 10% of the total acreage of the combined area of the City Recapture Parcels and the Additional United Lease Parcels to the extent consistent with the objectives of the Plot 6 Project.
- 4. Annual Rent:** Absent any adjustments to exchanged premises, annual rent will be decreased to \$2,243,031.43, a decrease of approximately 4.1%. In the event there are any adjustments to the exchanged parcels, the annual rent will be appropriately adjusted.

### **Recommendation**

I recommend this Commission adopt the attached Resolution approving Modification No. 2 to Ground Lease L00-0464 with United Airlines, Inc. in support of the Plot 6 Reconfiguration Project, and directs the Commission Secretary to forward Modification No. 2 to the Board of Supervisors for approval in accordance with City Charter Section 9.118.



Ivar C. Satero  
Airport Director

Prepared by: Leo Fermin  
Chief Business and Finance Officer

### **Attachment**

ICS/LF/TR/SM:gp

bcc: admin/chron/doc/Teresa Rivor/Sean Murphy/Christopher W. Stuart

X:\ADMIN\Airport Commission\Resolutions\19-0303 APPROVE MOD No.2 to Ground Lase L00-0464 United Airlines Inc..pdf



AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 19-0303

**APPROVAL OF MODIFICATION NO. 2 TO GROUND LEASE L00-0464 WITH UNITED AIRLINES, INC. FOR THE EXCHANGE OF CERTAIN LAND AT PLOT 6 IN SUPPORT OF THE PLOT 6 RECONFIGURATION PROJECT**

- WHEREAS, on December 19, 2000, by Resolution No. 00-0464, the Airport Commission approved Lease L00-0464 (United Lease) with United Airlines (United) for a portion of Plot 6 at the Airport (United Plot 6 Premises). On June 1, 2001, by Resolution No. 403-01, the Board of Supervisors approved the Lease; and
- WHEREAS, on June 7, 2011, by Resolution No. 11-0135, the Commission approved Modification No. 1 to the Lease, which adjusted the annual rent payable by United and extended the term of the Lease to June 30, 2021 (Modification No. 1). On January 10, 2012, by Resolution No. 1-12, the Board of Supervisors approved Modification No. 1; and
- WHEREAS, as part of the Airport's ongoing efforts to maximize the efficient use of ramp space in and around the terminals, the Airport is developing additional aircraft parking and making certain other related improvements and alterations affecting Plot 6, including portions affecting certain areas of the United Plot 6 Premises (Plot 6 Project); and
- WHEREAS, completion of the Plot 6 Project requires the following adjustments to the United Plot 6 Premises, which is set forth in Modification No. 2 to the Lease (Modification No. 2): (i) City will recapture certain portions of the United Plot 6 Premises designated "City Recapture Parcels," consisting of approximately 1.79 acres, and (ii) in exchange, City will convey to United those certain portions of land designated as the "Additional United Lease Parcels," consisting of approximately 1.28 acres; now, therefore, be it
- RESOLVED, that this Commission hereby approves Modification No. 2, to be effective on the latest date when (i) the Commission and the Board of Supervisors shall have approved Modification No. 2, and (ii) the City and United have both executed Modification No. 2, which modifies the United Plot 6 Premises through an exchange of parcels between the City and United that will result in a net decrease of the United Plot 6 Premises by approximately 0.51 acres and a decrease in the annual rent payable by United to \$2,243,041.43; and, be it further
- RESOLVED, that the Commission hereby directs the Commission Secretary to forward Modification No. 2 to the Board of Supervisors for approval 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 - 3 2019

\_\_\_\_\_  
Secretary

**UNITED  
CONTRACT  
151693**

UNITED'S COPY

**LEASE OF PLOT 6  
AT SAN FRANCISCO INTERNATIONAL AIRPORT**

by and between

**United Airlines, Inc.**  
as Lessee

and

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

Mayor Willie L. Brown, Jr.

**AIRPORT COMMISSION**

Hon. Henry E. Berman, President  
Hon. Michael S. Strunsky  
Hon. Larry Mazzola  
Hon. Linda S. Crayton  
Hon. Caryl Ito

August, 2000

Lease No. 00-0464

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Exhibits A – Premises

Exhibits B – Legal Description

Appendix A – Provisions Regarding City's Nondiscrimination Ordinance

**LEASE OF PLOT 6  
AT SAN FRANCISCO INTERNATIONAL AIRPORT**

**MAJOR LEASE TERM SUMMARY**

For the convenience of Lessee 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:** June 1, 1999

**Lessee:** United Airlines, Inc.

**Lessee's Notice Address:** Attn: Mary Kathryn Hill  
Regional Manager, Corporate Real Estate  
P. O. Box 66100 WHQOU  
Chicago, IL 60666-0100  
Fax No. (847) 700-4841  
Tel. No. (847) 700-6006

**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, 5th Floor  
P.O. Box 8097  
San Francisco, CA 94128  
Att'n: Airport Director  
Fax No. (650) 821-5005  
Tel. No. (650) 821-5000

**Premises:** Plot 6 consisting of approximately 16.04 acres together with existing  
(§ 1) buildings and structures at the San Francisco International Airport, and  
all alterations and modifications thereto as depicted on *Exhibit A*,  
together with *Exhibit B*, Legal Description, Pages 1 through 2 attached  
hereto and made part hereof.

**Term:** Twelve (12) years and one (1) month commencing on the  
(§ 2) Commencement Date.

**Commencement Date:** June 1, 1999.  
(§ 2)

**Expiration Date:** June 30, 2011 or upon earlier termination as provided herein.  
§ 2)

**Use:** To conduct air cargo and aviation related business including receiving,  
§ 3) delivering, dispatching, processing, handling, and storage of air cargo  
and mail, administrative offices and related employee parking.

**Annual Rent:** \$1,584,655.76 per annum ("**First Year Rent**")  
§ 4)

**Rent:** Annual Rent, Additional Rent (as defined in Section 4 hereof), and all  
§ 4) other amounts owing by Lessee to City hereunder.

**Deposit Amount:** Six (6) months of the Annual Rent for each Lease Year subject to  
§ 12) adjustment upwards annually in accordance with Section 12 of this  
Lease. The initial Deposit Amount shall be: \$792,327.88.

**Resolution:** Number 00-0464, approved by the Airport  
Commission on December 19, 2000

**Initial Lessee** Mary Kathryn Hill  
**Representative:** Regional Manager, Corporate Real Estate  
(§ 3.7) Tel No. (847) 700-7183

**Other** Lease 82-0126, Lease 73-0066, Lease 96-0268, Permits: 580, 1190,  
**Agreements:** 1757, 1784, 1824, , 2105, 2104, , 2754, 3368, 3375, 3380, 2859, 2936,  
(§ 14.1) 3085, , 3294, 3314, 3322, 3355, 3391, 3452, 3465, and Contract Nos. 6  
and 11.

**Exhibits:** A – Premises  
B – Legal Description

Initials of Authorized Representative of City                     BW                    

Initials of Authorized Representative of Lessee                     [Signature]                    

[Signature]



**LEASE OF PLOT 6  
AT SAN FRANCISCO INTERNATIONAL AIRPORT**

THIS GROUND LEASE AGREEMENT (this “**Lease**”), dated as of the Effective Date, is entered into by and between the City and County of San Francisco, a municipal corporation , acting by and through its Airport Commission (“**City**”), and UNITED AIRLINES, INC., a Delaware corporation (“**Lessee**”).

This Lease is made with reference to the following facts and objectives:

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 Commission, the chief executive officer of which is the Airport Director (“**Director**”). Lessee acknowledges that, from time to time, the Airport undergoes certain construction and renovation projects, and is currently undergoing a master plan expansion program (the “**Master Plan Expansion**”). Unless otherwise specified, the term “**Airport**” shall mean the Airport as the same may be expanded, contracted, improved, modified, renovated, or changed in any way. Unless otherwise specified below, references to “**City**” shall mean City, acting by and through its Airport Commission.

B. Lessee desires to lease certain real property at the Airport for the purpose of conducting air cargo and aviation related business.

C. Pursuant to the Resolution, The Airport Commission has authorized the execution of this Lease by City.

Accordingly, Lessee 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 Lessee and Lessee hereby leases from City, the Premises.

1.2 Rights of Ingress and Egress. Lessee shall also have 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 Lessee’s exercise of such right shall not impede or interfere unduly with the operation of the Airport by City, its Lessees, customers, and other authorized occupants. Said rights of ingress and egress shall likewise apply to Lessee’s employees, guests, patrons and suppliers, including the right of transport of equipment, material, cargo, machinery and other property, provided however, that Director may impose a charge upon Lessee’s suppliers or furnishers of service in an amount sufficient to compensate City for the out-of-pocket costs reasonably and directly incurred by City in the reasonable regulation by City of such suppliers or furnishers of service in the exercise by them of the foregoing right of ingress and egress.

1.3 Rights of Way. Lessee shall have the use and enjoyment of suitable rights of way over lands within the Airport not otherwise available hereunder to Lessee, between the Premises and any other premises at the Airport which Lessee now has or may hereafter have the right to use and enjoy under any other lease, license or other agreement with City, which rights of way shall be at locations and in a manner first to be approved by Commission resolution. Such rights of way shall be for the sole purpose of enabling Lessee to install and maintain conduits, ducts, pipes and wires, and incidental accessories, equipment and devices which are or may be necessary or convenient thereto in connection with Lessee's communications, control, telephone, teletype, interphone, pneumatic tube, power, steam, drainage, sewage, water supply, illuminating and industrial gas supply, fuel (including gasoline) pipelines, or in connection with other similar facilities and supplies. Said rights of way for fuel (including gasoline) pipelines shall include but shall not be limited to rights of way between the Premises and any other premises at the Airport which Lessee now has or may hereafter have the right to use and enjoy under any other lease, license or other agreement, and also between the Premises and any other premises or place at the Airport which may be the source of Lessee's fuel supply or the place of delivery or storage of said fuel. All such rights of way are limited by Section 3.8 (Fuel System) and Section 8.1 (Telecommunications). With respect to Lessee's obligations under this Lease, including without limitation, Lessee's repair, maintenance, and surrender obligations, the term "Premises" shall include the rights of way described above.

1.4 Changes to Airport. Lessee acknowledges and agrees that (a) City shall have the right at all times to change, alter, expand, and contract the Airport including its facilities, and (b) City has made no representations, warranties, or covenants to Lessee regarding the design, construction, pedestrian traffic, or views of the Airport or the Premises. Without limiting the generality of the foregoing, Lessee acknowledges and agrees that the Airport (i) is currently undergoing, and may from time to time hereafter undergo, renovation, construction, and other Airport modifications; and (ii) may from time to time adopt rules and regulations relating to security and other operational concerns that may affect Lessee's business. Although City will use reasonable efforts to minimize the effect of the Master Plan Expansion and other Airport changes on Lessee's business, Lessee acknowledges that such activity may have some effect on cargo operations occurring at the Airport.

#### 1.5 Condition of Land and Facilities Assigned

The Parties acknowledge Lessee's occupancy of the premises commenced November 2, 1965 pursuant to that Lease of Plot 6, Public Utilities Commission Resolution No. 65-0866 and subsequent Airport Lease No. 2798 issued November 1, 1995. Accordingly, Lessee hereby accepts the Premises, and any land, facilities, structures and improvements, herein or hereafter assigned to it in their present condition and "as is". Lessee acknowledges and agrees that neither City nor any of its agents have made, and City hereby disclaims, any representations or warranties, express or implied, concerning (i) title or survey matters affecting the Premises, (ii) the physical, geological, seismological or environmental condition of the Premises, (iii) the quality, nature or adequacy of any utilities serving the Premises, (iv) the present or future suitability of the Premises for Lessee's business and intended uses, (v) the feasibility, cost or legality of constructing any improvements on the Premises if required for Lessee's use and Leased under this Lease, or (vi) any other matter whatsoever relating to the Premises or their use, including, without limitation, any implied warranties or merchantability or fitness for a

particular purpose. Lessee agrees to maintain and to repair at Lessee's own cost and expense, any damages caused by its operation and shall replace with equal quality any facility of City used by Lessee which requires replacement by reason of Lessee's use thereof in its operation, reasonable wear and tear and settlement of the land excepted.

## **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.

2.2 Holding Over. If, without objection by City, Lessee holds possession of the Premises after the Expiration Date, Lessee shall become a lessee from month to month, upon the terms of this Lease except that, at City's sole discretion, Annual Rent shall be double the then prevailing Annual Rent. 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 Lessee by giving thirty (30) days' notice of termination to the other at any time.

## **3. USE AND OPERATION**

3.1 Use. Lessee shall use the Premises for the Use and for no other purpose. In the event Lessee desires to use the Premises for any purpose other than the Use, Lessee may 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 Lessee.

3.2 References to Airport. Lessee 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 Lessee in the Premises, nor will Lessee do or Lease anything in connection with Lessee'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 Lessee.

3.3 Prohibited Activities. Without limiting any other provision herein, Lessee shall not, without the prior written consent of Director: (a) cause or Lease 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 Premises facilities or the Airport or any of its contents by way of increased risk of fire or explosion; (ii) create a nuisance; (iii) in any way obstruct or interfere with the rights of others on Airport or injure or annoy them; (b) commit or suffer to be committed any waste upon the Premises; (c) use, or allow the Premises to be used, for any improper, immoral, unlawful or objectionable purpose; or (d) do or Lease to be done anything in any way tending to injure the reputation of City or appearance of the Airport; or (e) conduct any advertising or promotional activities on the Airport; or (f) conduct any non-emergency aircraft maintenance operations; or (g) conduct any aircraft washing.

3.4 Inspection of Operations. At any time and from time to time, City may conduct an inspection of Lessee's operations at the Airport to confirm that such operations comply with the requirements set forth herein. Lessee shall cooperate with such inspection.

3.5 Representative of Lessee; Access. Lessee shall assure City of emergency access to the Premises by providing a list of current emergency telephone numbers at which Lessee's Representative may be reached on a 24-hour basis.

3.6 General Obligation. At all times, Lessee shall cause its operations hereunder to comply with all present and future federal, state and local laws, rules, regulations, and ordinances, as the same may be amended from time to time, whether foreseen or unforeseen, ordinary as well as extraordinary, including those relating to (a) health and safety; (b) disabled access, including the Americans with Disabilities Act, 42 U.S.C.S. Sections 12101 et. seq. and Title 24 of the California Code of Regulations, and (c) Hazardous Materials (as defined below) (collectively "**Laws**"), the Airport's Tenant Improvement Guide, as amended from time to time (as amended, the "**Airport's TI Guide**"), and the Rules. City and each City Entity (as defined below) shall have no and Lessee waives any liability for any diminution or deprivation of Lessee's rights hereunder pursuant to this Section 3.6. As used herein, the term "**City Entity**" shall mean City, Commission, its members, all officers, agents, and employees of each of them, and their successors and assigns. As used herein, the term "**Lessee Entity**" shall mean any contractor, employee, agent, licensee or invitee of Lessee.

3.7 Security Program. Without limiting the generality of the foregoing, Lessee shall, and shall cause each Lessee Entity to, comply with the Airport's Security Program, as the same may be modified from time to time. Such compliance may include, but not be limited to: (a) the development, implementation, and maintenance of a site-specific security program approved by Airport Director; and (b) compliance with requirements relating to employee access investigations, identification, access, and reporting of unbadged persons. Lessee may contact the Airport Operations Security Unit for more information.

3.8 Fuel System. Lessee acknowledges that City has granted to a party the sole and exclusive right to operate a fuel system on the Airport. Lessee acknowledges and agrees that, to the extent it desires to receive distribution of jet fuel on Airport premises, it must receive such distribution from such party, on the terms and conditions established by such party. In no event will Lessee have the right to operate a competing fuel system on the Airport.

3.9 Premises Must Be Used. It is the intent of the parties hereto that the Lessee shall use the entirety of the Premises continuously for the Use and shall not allow the Premises to be underutilized or unoccupied without prior written consent of City, which consent may be withheld in City's sole discretion.

## 4. RENT

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

(a) "**Consumer Price Index**" means that index published by the United States Department of Labor, Bureau of Labor Statistics known as "All Urban Consumers - All Items for the San Francisco-Oakland-San Jose, California (1982-84 = 100)." In the event such index is discontinued, then "**Consumer Price Index**" shall mean an index chosen by Director which is, in Director's reasonable judgement, comparable to the index specified above.

(b) **“Rent Adjustment Date”** means June 1<sup>st</sup> of each year.

(c) **“Base Index”** means the most recent Consumer Price Index published immediately prior to the Commencement Date.

(d) **“Comparison Index”** means the most recent Consumer Price Index published immediately prior to each Rent Adjustment Date.

(e) **“Lease Year”** means the period commencing on the Commencement Date and expiring on the day before the first Rent Adjustment Date, and each subsequent 12-month period, commencing on each Rent Adjustment Date and expiring on the day before the subsequent Rent Adjustment Date, or expiring on the Expiration Date, as the case may be.

4.2 Monthly Rent Payments.

(a) Lessee shall pay, as rent for the Premises, the monthly installment of the Annual Rent in advance on or before the first (1st) day of each calendar month of the Term.

(b) All payments hereunder shall be paid at the office of Director, or at such other place as City may from time to time designate in writing.

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

(d) 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 (1 ½%) per month, and the maximum rate Leaseted by law. Acceptance of any service charge shall not constitute a waiver of Lessee’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 Annual Rent. Commencing on June 1, 2000 and on each Rent Adjustment Date thereafter through the fifth (5<sup>th</sup>) lease year, the Annual Rent will be adjusted, as follows: if the Comparison Index shall exceed the Base Index, then the Annual Rent with respect to the upcoming Lease Year shall be increased to equal the following amount:

$$\text{Initial Annual Rent} \quad \times \quad \frac{\text{Comparison Index}}{\text{Base Index}}$$

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

4.4 Fifth Year Rent Adjustment. On the fifth (5<sup>th</sup>) Rent Adjustment Date, in lieu of the annual adjustment set forth in Section 4.3 (Adjustments to Annual Rent), Annual Rent shall be reviewed and adjusted upward to equal the greater of the Annual Rent in effect in the fifth (5<sup>th</sup>) Lease Year as adjusted by CPI or the fair market value of the land only as determined by reappraisal conducted by City’s Director of Property.

Thereafter, the Annual Rent shall be adjusted annually by CPI adjustment, as provided in

Section 4.3 above, except that such adjustment mechanism shall be modified as follows:

- Initial Annual Rent will be equal to the Annual Rent set for the sixth Lease Year of the Term pursuant to this Section 4.4; and
- Base Index will be equal to the most recent Consumer Price Index published immediately prior to the sixth Rent Adjustment Date.

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

4.5 Additional Rent. Lessee shall pay to City any and all charges and other amounts under this Lease as additional rent, at the same place where Annual 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 Annual Rent.

4.6 Prepay Rent. Notwithstanding anything to the contrary herein, in the event Lessee shall fail to pay any Rent when due hereunder, Director shall have the right to require Lessee to pay Rent (including Annual Rent, utility charges, and all other amounts) in advance of when such payment would otherwise be due. Such right shall be exercised by a notice from Director to Lessee, which notice may be given any time after such default by Lessee, regardless of whether the same is cured by Lessee.

4.7 Cargo Revenue Policy. Lessee acknowledges that City is considering the adoption of a Cargo Services Revenue Policy, which policy may initiate the imposition of a charge or fee assessed on cargo-related activity that (1) occurs on the Premises, and (2) is performed by sublessees, third-party vendors, contractors, or agents on behalf of Lessee. Accordingly, Lessee agrees that if City adopts such policy, Lessee shall: (a) pay to City as "Additional Rent" the cargo services charge or fee consistent with such policy; (b) provide the cargo services reports and Lease City audit rights as required by such policy; and (c) perform such other related actions as may be required by the Cargo Service Revenue Policy. City shall use reasonable efforts to give notice to Lessee outlining the proposed cargo services revenue policy prior to the adoption thereof.

4.8 Nature of Lease. The Rent due City hereunder shall be absolutely net to City and shall be paid without assertion of any counterclaim, setoff, deduction or defense and without abatement, suspension, deferment or reduction. Under no circumstances or conditions, whether now existing or hereafter arising, and whether or not beyond the present contemplation of the parties, shall City be expected or required to make any payment of any kind whatsoever with respect to the Premises or be under any obligation or liability hereunder except as expressly set forth in this Lease. Except as otherwise expressly provided herein, this Lease shall continue in full force and effect, and the obligations of Lessee 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, Lessee or any constituent partner of Lessee 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 Lessee 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 Lessee 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 Lessee 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 Lessee shall have notice or knowledge of any of the foregoing. The obligations of Lessee hereunder shall be separate and independent covenants and agreements. Lessee hereby waives to the full extent Leased 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.

## 5. ASSIGNMENT OR SUBLETTING

5.1 No Assignment Without Consent. Lessee 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.

5.2 No Bonus Value. It is the intent of the parties hereto that the Lease shall confer upon Lessee only the right to use and occupy the Premises and to exercise such other rights as are conferred upon Lessee by the Lease. The parties agree that the Lease is not intended and thus shall have no Bonus Value (as defined below) nor serve as a vehicle whereby Lessee may profit by a future Transfer of the Lease or by the right to use or occupy the Premises as a result of any favorable terms contained herein or any future changes in the market for leased space. As used herein, the term "**Bonus Value**" shall mean consideration or compensation paid or payable under or by virtue of any Transfer, immediately or over the aggregate of the Term, directly or indirectly exceeding that paid or payable by Lessee under the Lease (less expenses for verifiable and reasonable costs for Lessee improvements, lease concessions, value of Lessee's trade fixtures and special equipment conveyed in connection with the Transfer). If Lessee receives any Bonus Value during the Term of the Lease or in case of the sublease of a portion of the Premises in excess of such rent that is fairly allocable to such portion, Lessee shall pay City fifty percent (50%) of the difference between each such payment of sublease rent or other consideration and the Rent required hereunder. Accordingly, all such Bonus Value shall belong exclusively to and be paid or payable to City as additional rent hereunder. Such additional amounts shall not affect or reduce any other obligation of Lessee to pay Rent under this Lease.

5.3 Changes in Lessee. The merger of Lessee with any other entity or the transfer of any controlling ownership interest in Lessee, or the assignment or transfer of a substantial portion of the assets of Lessee, whether or not located on the Premises, shall constitute a Transfer. Without limiting the generality of the foregoing, if Lessee is a partnership, a withdrawal or

change, voluntary, involuntary or by operation of law of the partner or partners owning fifty-one percent (51%) or more of the partnership, or the dissolution of the partnership, shall be deemed a Transfer. If Lessee is a corporation or limited liability company, any dissolution, merger, consolidation or other reorganization of Lessee, or the sale or other transfer of a controlling percentage of the capital stock or membership interests of Lessee, or the sale of at least fifty-one percent (51%) of the value of the assets of Lessee, shall be deemed a Transfer. The phrase “**controlling percentage**” means the ownership of, and the right to vote, stock or interests possessing at least fifty-one percent (51%) of the total combined voting power of all classes of Lessee’s capital stock or interests issued, outstanding and entitled to vote for the election of directors. This paragraph shall not apply to corporations or limited liability companies the stock or interests of which is traded through an exchange or over the counter.

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

## **6. TAXES, ASSESSMENTS AND LIENS**

### 6.1 Taxes.

(a) Lessee recognizes and understands that this Lease may create a possessory interest subject to property taxation and that Lessee may be subject to the payment of property taxes levied on such interest. Lessee further recognizes and understands that any Transfer Leaseted under this Lease and any exercise of any option to renew or other extension of this Lease, if applicable, may constitute a change in ownership for purposes of property taxation and therefore may result in a revaluation of any possessory interest created hereunder. Lessee 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, lease charges and assessments based on Lessee’s usage of the Premises, all of which shall be paid when the same become due and payable and before delinquency.

(b) Lessee 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. Lessee 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.

6.2 Other Liens. Lessee shall not Lease or suffer any liens to be imposed upon the Premises, the Terminal Building Complex, other Airport property, or any part thereof including mechanics’, materialmen’s and tax liens, as a result of its activities without promptly discharging the same. Notwithstanding the foregoing, Lessee may in good faith contest any such lien if Lessee provides a bond in an amount and form acceptable to City in order to clear the record of any such liens. Lessee 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 Lessee or as a consequence of the existence of Lessee’s interest under this Lease.



## 7. ALTERATIONS

7.1 Improvements. Subject to the provisions of Section 7.2 below, Lessee at its own expense may construct, place or erect on the Premises any improvements, make any alterations, additions, or improvements thereto, and install all fixtures and equipment therein (collectively “Alterations”) which it may consider necessary or useful in connection with or related to Lessee’s business, including Lessee’s trade fixtures, specialty equipment, furnishings, finishes, or other necessary improvements to Premises and thereafter, to alter, modify or enlarge the same.

7.2 City’s Approval Rights. Lessee shall not make or suffer to be made any Alterations without Director’s prior written consent. Lessee shall cause all such Alterations to be performed in a workmanlike manner, in compliance with the requirements of the Airport’s TI Guide and all applicable Laws. Without limiting the generality of the foregoing, all Alterations shall conform to Commission’s established architectural design scheme for the Airport, and may require the approval of the Airport’s Design Review Committee. Prior to the construction of any Alterations, Lessee shall submit detailed plans and specifications to the Director for approval. Lessee shall include with its plans and specifications schematic renderings of the common area, materials, and a color board(s). All decisions by the Airport’s Design Review Committee shall be made subject to the approval of the Airport Commission. Director’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 Lessee to resubmit designs until they meet Director’s approval. In the event of disapproval by City of any portion of the plans and specifications, Lessee will promptly submit necessary modifications and revisions thereof. No changes or alterations will be made in said plans or specifications after approval by Director. 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 proposed Alterations will, within fifteen (15) days after approval thereof by Director be signed by Lessee and deposited with City as an official record thereof. All Alterations shall be effected through the use of contractors approved by Director who shall furnish to Director upon demand such completion bonds and labor and material bonds as Director may require so as to assure completion of the Alterations on a lien-free basis. Without limiting the requirements set forth above, Lessee acknowledges and agrees that Lessee may be required to obtain approvals for any desired Alterations from the Airport’s Building Inspection and Code Enforcement (BICE) Division.

7.3 Notice and Leases. Lessee shall give written notice to Director not less than seven (7) days prior to the commencement of any Alterations work 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. Lessee shall obtain, and pay all fees for all Leases 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 Leases to City prior to the commencement of any work.

7.4 Title to Alterations. Except as provided herein, on revocation or termination of this Lease, all Alterations made by Lessee, including all structural construction, foundation, roof, HVAC, plumbing, electrical and similar equipment shall vest in City. Title to all Alterations of such a nature as cannot be removed without substantial damage to the building, including all carpeting, decorations, furnishings, and counters, shall vest in City on the revocation or

termination of this Lease. All other equipment of such nature as to constitute trade fixtures shall remain the property of Lessee. On the revocation or termination of this Lease, Lessee may remove said trade fixtures or Director may require that Lessee remove same at Lessee's expense. Prior to the Commencement Date, Lessee 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. Lessee 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 revocation or termination of this Lease, all fixtures, other than those deemed trade fixtures by City, shall become the property of City. Lessee shall be liable to City for City's costs for storing, removing and disposing of any alterations of Lessee's personal property, and of restoration of the Premises.

7.5 Effect of Alterations on Airport. If and to the extent that Lessee'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), Lessee shall indemnify, defend, and hold harmless City from and against any and all Losses (as defined below) arising out of such activities or Alterations.

7.6 Relocation of Pipelines. In the event that any City-owned pipelines used by Lessee, or pipelines and appurtenances installed by Lessee be so located that it shall be necessary to change, alter, remove or reconstruct same in order to allow City to install a sewer or drain line, or other system or if a change of concourse, Terminal buildings or aircraft apron boundaries is required by City, Lessee at its own and sole expense, shall make such change, alteration, removal or reconstruction of said pipeline as is requested by City, necessitated by such change, even though said pipelines are owned by City.

## **8. UTILITIES**

During the term of this Lease, Lessee shall have the right to obtain adequate service from City's water, sewage, stormwater drainage and electric power facilities, but shall acquire no title thereto. Lessee shall have the right to request and receive telephone and communications services and electricity or industrial gas service, subject to the customary rules and regulations of these utility companies, from the utility companies furnishing such services, whether the companies deliver such services directly through their own conduits or pipes or through conduits or pipes owned by City. In the event City decides to provide directly to the Premises telephone, communications, electricity or industrial gas service, then Lessee shall pay to City a charge therefore determined by City which shall not exceed the amount which would have been charged had the utility provided such service. Lessee agrees to pay all charges legally exacted for said utility services.

It is agreed that adequate connections available to Lessee for the herein mentioned utilities are now located in the vicinity of the Premises and specifically at those points ascertained by Lessee from City by a field inspection made by Lessee prior to the execution of this Lease. Lessee may alter, relocate, or add to said existing facilities and utilities, including telecommunications pursuant to section 8.1, provided written approval by City of plans for such alteration or relocation is first obtained which approval shall not be unreasonably withheld or unduly delayed. Any such alterations, relocations, or additions shall be made at the sole cost and expense of Lessee. Lessee shall not cross connect water supplies from sources other than City's supply pipes. City shall have no liability for failure, uncontrollable upon the part of City, or any said utility or other services hereinabove enumerated, to Lessee. City shall have the right, at all times, without unreasonably or unduly interfering with Lessee's use of the Premises, to enter upon the Premises and install, construct, maintain, operate and remove water pipes, drainage pipes, electric power supply lines, telephone and communication conduits, sewage lines for general airport use, and, unless due to the fault of Lessee, the expense of any said operation shall be borne by City. In the event of any excavation by City upon the Premises for any or said purposes, said Premises shall be restored to the immediately prior condition at City's expense, unless due to the fault of Lessee, in which event such costs shall be borne by Lessee.

Prior to the beginning of any construction by Lessee, Lessee shall locate all existing underground utilities belonging to City or its tenants in order to avoid damage to said utilities. City shall cooperate in such action by providing to Lessee, within a reasonable time after Lessee's request, documents and data relating to such utilities, to the extent reasonably available to City. Any damage to existing pavement, underground facilities or other improvements belonging to City or its lessees caused by Lessee's operations shall be repaired to the satisfaction of City by Lessee at Lessee's expense. Lessee shall promptly backfill any trench made by it on said Premises so as to leave the surface of the ground thereover, as nearly normal as practical, and restore pavement and landscaping to its original condition. This shall include Lessee's restoration of landscaping, fencing, gates, roadways, traffic signs, dryways, parking lots, guardrails or any other improvements.

Lessee shall pay the whole cost for all utility services as invoiced to Lessee by Airport and for such other special services which it may require upon the Premises, and Lessee hereby expressly waives the right to contest any utility rates.

8.1 Telecommunications. In no event will Lessee have any rights to license, Lease, or sublease to a telecommunications provider the right to install or operate on the Premises telecommunications equipment, including antennas, unless such equipment is to service exclusively Lessee's operations. City reserves the right to license, Lease, or lease to a telecommunication provider the right to install and operate such equipment on the Premises and the facilities thereon, with rights of access thereto.

8.2 Waiver of Damage. Lessee hereby expressly waives any and all claims for damages arising or resulting from failures or interruptions of utility services furnished by City hereunder including but not limited to electricity, gas, water, plumbing, sewage, telephone, communications, or for the failure or interruption of any public or passenger conveniences.

8.3 Sewers and Drains. Drains or other facilities provided by Lessee for the purpose of disposing of storm or other waters shall in no case be connected to sanitary sewers. In the event that Lessee's facilities (either storm or sanitary) are below an elevation that will cause gravity flow into facilities provided by City, then Lessee shall provide and maintain such pumping facilities as may be necessary to deliver stormwater or sanitary sewage to the proper drainage system facilities or sanitary sewage to the proper drainage system facilities or sanitary sewers provided by City for the disposal of same. Lessee must provide adequate separations to prevent flow into the sanitary sewer system of petroleum products or chemicals or any foreign matter. Lessee shall take all reasonable precautions to prevent material going into the drainage system which would create interference with the flow therein, or which would cause undue hazards or unlawful contamination of the waters of the San Francisco Bay into which the drainage flow may be deposited.

## **9. MAINTENANCE AND REPAIR**

9.1 "As-Is" Condition. LESSEE SPECIFICALLY ACKNOWLEDGES AND AGREES THAT CITY IS LEASING THE PREMISES TO LESSEE ON AN "AS IS WITH ALL FAULTS" BASIS AND THAT LESSEE 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 THE NON-EXCLUSIVE AREAS, INCLUDING: (i) the quality, nature, adequacy and physical condition and aspects of the Premises including landscaping, (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 Premises 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) any agreements affecting the Premises.

### 9.2 Lessee's Maintenance Obligations.

(a) Lessee shall at all times during the Term and at Lessee's sole cost and expense, keep the Premises and every part thereof in good condition and repair, and in compliance with applicable Laws and the Airport's TI Guide, including the replacement of any facility of City used by Lessee which requires replacement by reason of Lessee's use thereof, excepting (a) ordinary wear and tear, and (b) damage due to casualty with respect to which the provisions of Section 13 [Damage or Destruction] shall apply.

(b) Lessee 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. As provided below in Section 14.3 [City's Right to Perform], in the event Lessee fails to perform its maintenance and repair

obligations hereunder, City shall have the right to do so, at Lessee's expense.

(c) Lessee shall, and shall cause its Lessee Entities to, maintain and keep the ramp and parking area in a neat, clean and orderly condition, free from litter, debris, refuse, petroleum products or grease that may accumulate thereon as a result of Lessee's operations hereunder.

## **10. SIGNS AND ADVERTISING**

10.1 No Advertising. Lessee may, at its own expense, install and operate necessary and appropriate identification signs on the Premises, subject to the approval of Director, including 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, Lessee shall not display any advertising or promotional materials. In no event will any advertising of any cigarettes or tobacco products be Leaseted. This prohibition does not apply to any advertisement sponsored by a state, local or nonprofit entity designed to communication the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.

10.2 Removal of Signage. Upon the expiration or the sooner termination of this Lease, Lessee, if requested by Director, shall remove, obliterate, or paint out any and all signs, and similar devices placed by Lessee on the Premises. In the event of the failure on the part of Lessee to so remove, obliterate, or paint out each and every sign so requested by Director, City may perform such work and Lessee shall pay the cost thereof to City upon demand.

## **11. WAIVER; INDEMNITY; INSURANCE**

11.1 Waiver. Lessee, on behalf of itself and its successors and assigns, waives its rights to recover from and forever 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 be connected with (a) the physical and environmental condition of the Premises or any law or regulation applicable thereto, including all Environmental Laws; (b) any damage suffered or sustained by Lessee or any person whosoever may at any time be using or occupying or visiting the Premises or the Airport, or (c) any act or omission (whether negligent, non-negligent, or otherwise) of Lessee or any Lessee 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, Lessee expressly waives the benefits 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."

11.2 Indemnity. In addition to, and not in limitation of the foregoing, Lessee 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 (a) any act or omission of Lessee or any Lessee Entity, (b) Lessee's use of the Premises or operations at the Airport, or (c) any default by Lessee or any Lessee 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 solely by the sole gross negligence or willful misconduct of City.

11.3 "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.

11.4 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.

11.5 Insurance. Lessee 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) Comprehensive General Liability Insurance with limits not less than \$25,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Premises Operations, Contractual Liability, Personal Injury, Products Liability and Completed Operations Coverages, Cargo Legal Liability, Vehicles operated on restricted access airport premises, Hangars-Keepers Liability, Explosion, Collapse, Underground, Sudden and Accidental Pollution.

(c) Comprehensive Automobile Liability Insurance with limits not less than \$5,000,000 each occurrence Combined Single Limit for Bodily Injury and Property Damage, including Employer's non-ownership liability and hired auto coverages.

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

(e) Business Interruption Insurance insuring that the Rent will be paid to City for a period of at least one (1) year if Lessee is unable to operate its business at the Premises due to a risk required to be insured against by Lessee hereunder. Said insurance shall also cover business interruptions due to failures or interruptions in telecommunications services, strikes, employee lockouts, riots, or other civil commotion.

11.6 Form of Policies. All insurance required by Lessee hereunder shall be pursuant to policies in form and substance and issued by companies satisfactory to City and City's City Attorney. City may, upon reasonable notice and reasonable grounds increase or change the required insurance hereunder, in which event Lessee shall obtain such required insurance.

Lessee shall not do anything, or Lease anything to be done, in or about the Premises or any improvements Leaseted hereunder that would create any unusual fire risk, and shall take commercially reasonable steps to protect City from any potential premises liability. Lessee shall faithfully observe, at its expense, any and all reasonable requirements of City's Risk Manager with respect thereto and with the requirements of any policies of public liability, fire or other policies of insurance at any time in force with respect to the Premises and any improvements as required hereunder.

Without limiting the generality of the foregoing, all Comprehensive General Liability Insurance, Comprehensive Automobile Liability Insurance, and Property 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, delivered to City at City's Notice Address.

11.7 Delivery of Policies or Certificates. On or before the Commencement Date, Lessee shall provide to City copies of its insurance policies or certificates thereof evidencing the above insurance.

11.8 Subrogation. Notwithstanding anything to the contrary herein, Lessee waives any right of recovery against City for any loss or damage to the extent the same is required to be covered by Lessee's insurance hereunder. Lessee shall obtain from its insurer, if possible, a waiver of subrogation the insurer may have against City or any City Entity in connection with any Loss covered by Lessee's property insurance policy.

## 12. DEPOSIT

12.1 Form of Deposit. Within ten (10) days after the Effective Date, Lessee will deliver to Director 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, and otherwise in form satisfactory to City's City Attorney, and issued by a surety company satisfactory to Director, or (b) a letter of credit naming City as beneficiary, and otherwise in form satisfactory to City's City

Attorney, issued by a bank satisfactory to Director. Such bond or letter of credit shall be renewed annually and increased annually such that at all times, the Deposit is equal to six (6) times the monthly installment of the then current Annual Rent, all at Lessee's cost. Such bond or letter of credit shall be kept in full force and effect during the Term to ensure the faithful performance by Lessee of all covenants, terms, and conditions of this Lease, including payment of Rent. Lessee 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.

12.2 Use of Deposit. If Lessee 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 Lessee'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, Lessee, within ten (10) days after demand therefor, shall deposit other security acceptable to Director with City in an amount sufficient to restore the Deposit to the full amount thereof. In the event the bonding company or bank declines to renew or elects to cancel the bond or letter of credit comprising the Deposit, Lessee shall, at least fifteen (15) days prior to the expiration or cancellation date, replace such bond or letter of credit with another bond or letter of credit. If Lessee fails to do so, City may, without notice to Lessee, draw on the entirety of the Deposit and hold the proceeds thereof as security hereunder. City shall not be required to keep the Deposit separate from its general accounts. If Lessee performs all of Lessee's obligations hereunder, the Deposit, 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 Lessee (or, at City's option, to the last assignee, if any, of Lessee's interest hereunder) at the expiration of the Term, and after Lessee has vacated the Premises. No trust relationship is created herein between City and Lessee with respect to the Deposit.

12.3 Other Agreements. If Lessee defaults with respect to any provision of any other agreement between City and Lessee, 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 Lessee's default or to compensate City for any loss or damage which City may suffer thereby. Likewise, if Lessee 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 Lessee, including the Other Agreements, for payment of any sum owing to City or to which City may become obligated by reason of Lessee'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, Lessee shall deposit other security acceptable to Director with City in an amount sufficient to restore the Deposit to the full amount thereof.

### **13. DAMAGE OR DESTRUCTION**

#### **13.1 Partial Destruction of the 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 Lessee shall repair such damage as soon as reasonably possible 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 Lessee 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 Lessee or a Lessee Entity, then Lessee 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 13.1, Lessee shall have the right within ten (10) days after receipt of the required notice to notify City of Lessee's intention to repair such damage at Lessee's expense, without reimbursement from City, in which event this Lease shall continue in full force and effect and Lessee shall proceed to make such repairs as soon as reasonably possible. If Lessee 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 office fixtures, partitions, railings, ceilings, floor covering, equipment, machinery or fixtures or any other improvements or property installed in the Premises by Lessee or at the direct or indirect expense of Lessee. Lessee shall be required to restore or replace same in the event of damage.

13.2 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.

13.3 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 Lessee 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, Lessee shall have the right within ten (10) days after receipt of the required notice to notify City in writing of Lessee's intention to repair such damage at Lessee's expense, without reimbursement from City, in which event this Lease shall continue in full force and effect and Lessee shall proceed to make such repairs as soon as reasonably possible.

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

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

#### 14. DEFAULT; REMEDIES

14.1 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) Lessee 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 Lessee 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 Lessee’s failure to duly and punctually pay Rent or other payment hereunder; or

(b) Lessee 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 Lessee 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 City; or

(e) Lessee 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 Lessee, and shall not be discharged or contested by Lessee in good faith by proper legal proceedings within twenty (20) days after receipt of notice thereof by Lessee; or

(g) Lessee shall fail to provide the Deposit within ten (10) days after the Effective Date or shall fail to maintain in full such Deposit at all times during the Term of this Lease, and such failure shall continue for a period of more than three (3) days after delivery by Director of written notice of such breach or default; or

(h) Lessee 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) Lessee 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 Lessee 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) Lessee shall not use or give its permission to any person to use any portion of the Premises or the Airport used by Lessee under this Lease for any illegal purpose, or any purpose not approved by Director.

(k) There shall occur a default under any other agreement between Lessee 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 Lessee shall be entitled to additional notice or cure rights with respect to such default other than as may be provided in such other agreement.

14.2 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 Lessee’s right to possession of the Premises. In the event this Lease is so terminated, City may recover from Lessee 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 rent loss that Lessee proves could be reasonably avoided; and
- (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 rent loss that Lessee proves could be reasonably avoided; and
- (iv) any other amount necessary to compensate City for all the detriment proximately caused by Lessee’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 Leaseted 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 Lessee’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 11 [Waiver; Indemnity; Insurance] hereof.

(b) 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 Lessee’s right to possession.

(c) City shall have the right and power, as attorney in fact for Lessee, to enter and to sublet the Premises, to collect rents from all subLessees and to provide or arrange for the provision of all services and fulfill all obligations of Lessee (as Leaseted in accordance with the terms of this Lease) and City is hereby authorized on behalf of Lessee, 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. Lessee 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 Lessee, 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. Lessee 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 Lessee 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 Lessee hereunder to the extent that such rent or other proceeds compensate City for the nonperformance of any obligation of Lessee hereunder. Such payments by Lessee 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 Lessee 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 Lessee of the Premises or Lessee’s interest therein, or be deemed to have otherwise terminated this Lease, or to have relieved Lessee of any obligation hereunder, unless City shall have given Lessee 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 14.2.

(e) City shall have the right to enjoin, and any other remedy or right now or hereafter available to a landlord against a defaulting Lessee 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 Lessee and City, including the Other Agreements, if any.

14.3 City's Right to Perform. All agreements and provisions to be performed by Lessee under any of the terms of this Lease shall be at its sole cost and expense and without any abatement of Rent. If Lessee 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 Lessee from any obligations of Lessee, make any such payment or perform any such other act on Lessee'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 Lessee as in the case of default by Lessee in the payment of Rent.

14.4 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 Lessee 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 Lessee without City being liable to Lessee for damage or loss thereby sustained by Lessee. Upon such termination by City, all rights, powers and privileges of Lessee hereunder shall cease, and Lessee shall immediately vacate any space occupied by it under this Lease, and Lessee 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, Lessee shall have no right to or claim upon any improvements or the value thereof, which may have been previously installed by Lessee in or on the Premises.

14.5 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.

14.6 Prepayment. As provided in Section 4.6 [Prepay Rent], if Lessee 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.

14.7 Fines. If Lessee 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 cause operations or Premises to comply with Laws	3.6, 3.7	\$300.
Construction or Alterations without City approval	7.2	\$300.
Failure to make required repairs	9	\$300.
Failure to obtain or maintain insurance	11	\$100.
Failure to obtain or maintain Deposit	12	\$100.

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 Lessee to impose fines on or otherwise take action against any other Lessee at the Airport. THE PARTIES HAVE AGREED THAT A VIOLATION OF ANY OF THE ABOVE TERMS SHALL RESULT IN CITY INCURRING DAMAGES, WHICH ARE IMPRACTICAL OR IMPOSSIBLE TO DETERMINE. THE PARTIES HAVE AGREED THAT THE ABOVE FINES ARE A REASONABLE APPROXIMATION OF SUCH DAMAGES. Such fines shall constitute "**Additional Rent**".

14.8 Commencement of Legal Actions. Any legal action by City to enforce any obligation of Lessee 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 14.8, whichever period expires later.

14.9 Waiver of Notice. Except as otherwise expressly provided in this Section 14, Lessee hereby expressly waives, so far as Leaseted 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 Lessee, for and on behalf of itself and all persons claiming through or under Lessee, 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 Lessee is evicted or City takes possession of the Premises by reason of any default by Lessee hereunder.

## 15. SURRENDER

Lessee shall at the end of the Term surrender to City the Premises and all Alterations, in the same condition as when received or made, ordinary wear and tear and damage by fire, earthquake, act of God, or the elements excepted. Subject to City's right to require removal pursuant to Section 7 [Alterations] hereof, all Alterations installed in the Premises by Lessee (other than Lessee's specialty equipment and trade fixtures), shall, without compensation to Lessee, then become City's property free and clear of all claims to or against them by Lessee or any third person. In the event that Lessee shall fail to remove its personal property, including specialty equipment and 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 Lessee 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.

## 16. HAZARDOUS MATERIALS

16.1 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, protection of human health and safety, environmental conditions, or Hazardous Materials, whether now in effect or hereafter adopted, including but not limited to, 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 identified, listed, or defined as a "hazardous waste", "hazardous substance", or "pollutant" or "contaminant" or term of similar import, or is otherwise regulated pursuant to Environmental Laws; 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 Tenant Improvement Guide.

(c) "**Release**" when used with respect to Hazardous Materials shall include any actual or imminent spilling, leaking, pumping, pouring, emitting, emptying, discharging,

injecting, escaping, leaching, dumping, or disposing into or inside the Premises or in, on, under or about the Premises or the environment.

(d) **“Pre-Existing Condition”** means the existence of any Hazardous Materials on the Premises immediately prior to the Commencement Date. Notwithstanding anything to the contrary herein, a “Pre-Existing Condition” shall not include the existence of any Hazardous Materials caused or contributed to by the act or omission of Lessee or any Lessee Entity at any time.

16.2 Lessee’s Covenants. Neither Lessee nor any Lessee Entity shall cause any Hazardous Material to be brought upon, kept, used, stored, generated, treated, managed, or disposed of in, on or about the Premises or the Airport, or transported to or from the Premises or the Airport without the prior written consent of Director, which Director shall not unreasonably withhold as long as Lessee demonstrates to City’s reasonable satisfaction that such hazardous material is necessary or useful to Lessee’s business and will be used, kept, stored and managed in a manner that complies with all Environmental Laws, the Airport’s Tenant Improvement Guide, the Airport Rules and all other laws. At all times Lessee shall ensure and certify that the premises and disposal of hazardous materials under this Lease shall be in compliance with Federal, State and local laws. Any reuse of contaminated soil by Lessee shall be subject to this Section and considered a Release of Hazardous Materials caused by Lessee and not a Pre-Existing condition, unless Director otherwise agrees in writing to a different interpretation.

16.3 Environmental Indemnity. Lessee 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 Lessee of its obligations contained in the preceding Section 16.2 [Lessee’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 Lessee or any Lessee Entity, or (c) the existence of any Hazardous Materials on the Premises, except to the extent that Lessee can otherwise demonstrate that such Hazardous Materials constitutes a Pre-Existing Condition.

16.4 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 City, an environmental audit or any other appropriate investigation of the Premises for possible environmental contamination. Lessee shall pay all costs associated with said investigation in the event such investigation shall disclose any Hazardous Materials contamination as to which Lessee is liable hereunder.

16.5 Notice by Lessee. Lessee shall give City verbal and written notice of any unauthorized threatened Release of any Hazardous Material known to Lessee. Such report shall be made in conformance with those procedures established in the Airport’s Tenant Improvement Guide and the Airport Rules. To the extent known to Lessee, Lessee shall immediately notify City in writing of: (a) pre-existing condition of contamination; (b) any enforcement, clean-up, removal or other Government or regulatory action instituted, completed or threatened pursuant to any Environmental Laws; (c) any claim made or threatened by any person against Lessee or the Premises relating to damage, contribution, cost recovery compensation, loss or injury resulting from or claimed to result from any Hazardous Materials on or about the Premises; and (d) any



reports made to any environmental agency arising out of or in connection with any Hazardous Materials or pursuant to any Environmental Laws on or about the Premises. Lessee shall also supply to City as promptly as possible, and in any event within five (5) business days after Lessee first receives or sends the same, with copies of all claims, reports, complaints, notices or warnings of, and any other communications related to asserted violations relating in any way to the Premises.

16.6 Closure Lease. Prior to the termination or expiration of this Lease, Director shall have the right to require Lessee to file with the City an application for a Closure Lease for decontamination of the site and investigation and removal of all Hazardous Materials in compliance with the Airport's Tenant Improvement Guide, the Airport's Rules, and all Laws. The Closure Lease 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.

## 17. EMINENT DOMAIN

17.1 Definitions. For purposes of this Section 17, 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 Lessee 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.

17.2 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 17. City and Lessee 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.

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

17.4 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: (a) the partial Taking renders the remaining portion of the Premises unleaseable or unsuitable for continued use by Lessee for the Use; (b) the condition rendering the Premises unleaseable or unsuitable either is not curable or is curable but City is unwilling or unable to cure such condition; and (c) City elects to terminate.

(b) If a partial Taking of a material portion of the Premises 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 17 shall be exercised by City's giving notice to Lessee 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.

17.5 Lessee Monetary Obligations; Award. Upon termination of this Lease pursuant to an election under Section 17.4 [Partial Taking; Election to Terminate] above, then: (a) Lessee's obligation to pay 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 Lessee shall have no claim against City for the value of any unexpired term of this Lease, provided that Lessee may make a separate claim for compensation, and Lessee shall receive any Award made specifically to Lessee, for Lessee's relocation expenses or the interruption of or damage to Lessee's business or damage to Lessee's personal property.

17.6 Partial Taking; Continuation of Lease. If a partial Taking of the Premises occurs and this Lease is not terminated in its entirety under Section 17.4 [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 Rent 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). Lessee shall have no claim against City for the value of any unexpired Term of this Lease, provided that Lessee may make a separate claim for compensation. Lessee shall retain any Award made specifically to Lessee for Lessee's relocation expenses or the interruption of or damage to Lessee's business or damage to Lessee's personal property.

17.7 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 Lessee 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.

## 18. CITY AND OTHER GOVERNMENTAL PROVISIONS

18.1 MacBride Principles - Northern Ireland. The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Lessee acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

18.2 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.

18.3 Tropical Hardwood Ban. (a) Except as expressly Leaseted by the application of Sections 12I.3.b and 12I.4.b of the San Francisco Administrative Code, neither Lessee nor any of its contractors shall use in the construction of any Alterations or otherwise in the performance of this Lease any items or materials which are tropical hardwoods or tropical hardwood products. (b) The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product. (c) In the event Lessee fails to comply in good faith with any of the provisions of Section 12I of the San Francisco Administrative Code, Lessee shall be liable for liquidated damages for each violation in any amount equal to Lessee's net profit under this Lease, or five percent (5%) of the total amount of the this Lease, whichever is greatest. Lessee acknowledges and agrees that the liquidated damages assessed shall be payable to the City and County of San Francisco upon demand and may be set off against any moneys due to Lessee from any contract with the City and County of San Francisco.

18.4 No Representations. Lessee 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 Lessee at the Airport, including any statements relating to the potential success or profitability of such venture. Lessee represents and warrants that it has made an independent investigation of all aspects of the business venture contemplated by this Lease and the Use.

18.5 Effect of City Approvals. Notwithstanding anything to the contrary herein, Lessee 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 Lessee hereunder may require further authorizations, approvals, or Leases from governmental regulatory agencies, including the Airport's Quality Control Department. Nothing in this Lease shall limit Lessee's obligation to obtain such other authorizations, approvals, or Leases. 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 Lease has been issued.

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

18.7 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.

18.8 Federal Nondiscrimination Regulations. Lessee understands and acknowledges that City has given to the United States of America, acting by and through the Federal Aviation Administration, certain assurances with respect to 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 Lessee agrees as follows: "Lessee 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, Lessee, 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."

18.9 Federal Affirmative Action Regulations. Lessee 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. Lessee 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. Lessee assures that it will require that its covered sub-organizations provide assurances to Lessee 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.

18.10 City's Non-Discrimination Ordinance. The terms and conditions of Appendix A are hereby incorporated herein by reference and made a part hereof.

18.11 Conflict of Interest. Lessee states that it is familiar with the provisions of City's Charter Section C8.105, and Section 87100 et seq. of the Government Code of the State of

California and certifies that it knows of no facts in connection with this Lease which constitute a violation of said sections. It further certifies that it will make a complete disclosure to Director, if necessary, of all facts within its reasonable knowledge bearing upon any possible interest, direct or indirect, which it believes a member of Commission or other officer or employee of City presently has or will have in this Lease or in its performance. Willful failure of Lessee to make such disclosure, if any, to Commission, shall constitute grounds for termination of this Lease.

18.12 Declaration Regarding Airport Private Roads. Lessee 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.

18.13 Prevention of Trespass. Lessee shall use reasonable precautions to prevent unauthorized persons from gaining access to restricted flight and public aircraft operational areas through the Premises.

18.14 No Relocation Assistance; Waiver of Claims. Lessee acknowledges that it will not be a displaced person at the time this Lease is terminated or expires by its own terms, and Lessee fully releases, waives, and discharges forever 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], Lessee shall cause any Transferee to expressly waive entitlement to any and all relocation assistance and benefits in connection with this Lease. Lessee shall indemnify, defend, and hold harmless City for any and all Losses arising out of any relocation assistance or benefits payable to any Transferee.

18.15 Drug-Free Workplace. Lessee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, possession or use of a controlled substance is prohibited on City premises. Any violation of this prohibition by Lessee or any Lessee Entity shall constitute a default hereunder.

18.16 Compliance with Americans With Disabilities Act. Lessee acknowledges that, pursuant to the ADA, programs, services and other activities provided by a public entity, whether directly or through a contractor, must be accessible to the disabled public. Lessee shall provide the services specified in this Lease in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. Lessee agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this

Lease and further agrees that any violation of this prohibition on the part of Lessee, its employees, agents or assigns shall constitute a material breach of this Lease.

18.17 Sunshine Ordinance. In accordance with Section 67.24(e) of the San Francisco Administrative Code, contracts, contractors' bids, leases, agreements, responses to Requests for Proposals, and all other records of communications between City and persons or firms seeking contracts will be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person's or organization's net worth or other proprietary financial data submitted for qualification for a contract, lease, agreement or other benefit until and unless that person or organization is awarded the contract, lease, agreement or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

18.18 Resource Conservation. Chapter 21A of the San Francisco Administrative Code is incorporated herein by reference. Failure by Lessee to comply with any of the requirements of Chapter 21A shall be deemed a material breach of this Lease. In the event Lessee fails to comply in good faith with any of the provisions of Chapter 21A, Lessee shall be liable for liquidated damages in an amount equal to Lessee's net profit under this Lease, or five percent (5%) of the total amount of this Lease, whichever is greater. Lessee acknowledges and agrees that the liquidated damages assessed shall be payable to the City and County upon demand and may be set off against any monies due to Lessee from any lease, agreement or Lease with the City and County of San Francisco.

18.19 Lessee's Utilization of Local MBEs and WBEs. As described in Commission Resolution No. 95-0136, the City's Board of Supervisors has found that policies and programs that enhance the opportunities and entrepreneurial skills of local minority owned, and women owned businesses ("MBE/WBE") will best serve the public interest because the growth and development of such businesses will have a significant positive impact on the economic health of the City and County of San Francisco and will serve to reduce racial tension in our community. As described in such resolution, the Commission desires to maximize the opportunities for San Francisco based MBE/WBEs to obtain construction, architectural, and engineering work with Airport Tenants. Pursuant to the foregoing resolution, the Commission has adopted a Tenant Improvement Policy to maximize the contracting opportunities for local MBE/WBEs in Tenant improvement work involving construction, architectural and engineering services at the Airport. In connection with any Tenant improvement work hereunder that involves construction, architectural, and engineering services, (a) Airport staff will set recommended participation goals in the manner set forth in the San Francisco Administrative Code Chapter 12D.A; and (b) Lessee will use its best efforts to utilize local MBE/WBEs for the performance of such work.

18.20 Public Transit Information. Lessee shall establish and carry on during the Term a program to encourage maximum use of public transportation by personnel of Lessee employed on the Premises, including, without limitation, the distribution to such employees of written materials explaining the convenience and availability of public transportation facilities adjacent or proximate to the Building and encouraging use of such facilities, all at Lessee's sole expense.

18.21 Pesticide Prohibition. As of January 1, 1998, Lessee shall comply with the provisions of Section 39.9 of the San Francisco Administrative Code (the "**Pesticide Ordinance**") which (i) prohibit the use of certain pesticides on City property, (ii) require the posting of certain notices and the maintenance of certain records regarding pesticide usage, and (iii) require Lessee to submit to Director an integrated pest management ("**IPM**") plan that (a) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Lessee may need to apply to the Premises during the term of this Lease, (b) describes the steps Lessee will take to meet the City's IPM Policy described in Section 39.1 of the Pesticide Ordinance, and (c) identifies, by name, title, address, and telephone number, an individual to act as the Lessee's primary IPM contact person with the City. In addition, Lessee shall comply with the requirements of Sections 39.4(a) and 39.4(b) of the Pesticide Ordinance as of January 1, 1999, and January 1, 2000, respectively. Nothing herein shall prevent Lessee, through Director, from seeking a determination from the Commission on the Environment that it is exempt from complying with certain provisions of the Pesticide Ordinance as provided in Section 39.8 thereof.

18.22 First Source Hiring Ordinance. Tenant shall comply with the San Francisco First Source Hiring Ordinance (Board of Supervisors Ordinance No. 264-98) 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.

18.23 Resource Efficiency Ordinance. With respect to any construction activity, including renovation or remodeling, on the Premises, Tenant shall comply with the City and County of San Francisco's Resource Efficiency Ordinance, Chapter 82 of the San Francisco Administrative Code, to the extent applicable.

18.24 Minimum Compensation Ordinance. Lessee agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Lease as though fully set forth. The text of the MCO is available on the web at [www.ci.sf.ca.us/MCO](http://www.ci.sf.ca.us/MCO). Capitalized terms used in this Section and not defined in this Lease shall have the meanings assigned to such terms in Chapter 12P. Consistent with the requirements of the MCO, Lessee agrees to all of the following:

(a) For each hour worked by a Covered Employee during a Pay Period on the property covered by this Lease, Lessee shall provide to the Covered Employee no less than the Minimum Compensation, which includes a minimum hourly wage and compensated and uncompensated time off consistent with the requirements of the MCO. For the minimum hourly gross compensation portion of the MCO, the Lessee shall pay \$9.00 an hour through December 31, 2001. On January 1, 2002, Lessee shall increase the minimum hourly gross compensation to \$10.00 an hour; provided, however, that if Lessee is a Nonprofit Corporation or a public entity, it shall be required to pay the increased amount only if the City makes the finding required by Section 12P.3(a)(ii) of the San Francisco Administrative Code. If Lessee is required to increase the minimum gross hourly compensation to \$10.00 an hour, it shall provide the 2.5% annual increase required by the MCO for each of the next three years. For the minimum hourly gross

compensation portion of the MCO, the Lessee shall pay \$9.00 an hour through December 31, 2001.

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

(c) Lessee understands and agrees that the failure to comply with the requirements of the MCO shall constitute a material breach by Lessee of the terms of this Lease. The City, acting through the Contracting Department, shall determine whether such a breach has occurred.

(d) If, within 30 days after receiving written notice of a breach of this Lease for violating the MCO, Lessee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Lessee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City, acting through the Contracting Department, shall have the right to pursue the following rights or remedies and any rights or remedies available under applicable law:

- (1) The right to charge Lessee an amount equal to the difference between the Minimum Compensation and any compensation actually provided to a Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then Leaseted by law;
- (2) The right to set off all or any portion of the amount described in Subsection (d)(1) of this Section against amounts due to Lessee under this Lease;
- (3) The right to terminate this Lease in whole or in part;
- (4) In the event of a breach by Lessee of the covenant referred to in Subsection (b) of this Section, the right to seek reinstatement of the employee or to obtain other appropriate equitable relief; and
- (5) The right to bar Lessee from entering into future contracts with the City for three (3) years.

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

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

(f) Lessee shall keep itself informed of the current requirements of the MCO, including increases to the hourly gross compensation due Covered Employees under the MCO, and shall provide prompt written notice to all Covered Employees of any increases in



compensation, as well as any written communications received by the Lessee from the CITY, which communications are marked to indicate that they are to be distributed to Covered Employees.

(g) Lessee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the MCO.

(h) Lessee shall provide the City with access to pertinent records after receiving a written request from the City to do so and being provided at least five (5) business days to respond.

(i) The City may conduct random audits of Lessee. Random audits shall be (i) noticed in advance in writing; (ii) limited to ascertaining whether Covered Employees are paid at least the minimum compensation required by the MCO; (iii) accomplished through an examination of pertinent records at a mutually agreed upon time and location within ten (10) days of the written notice; and (iv) limited to one audit of Lessee every two years for the duration of this Lease. Nothing in this Lease is intended to preclude the City from investigating any report of an alleged violation of the MCO.

(j) If Lessee assigns any rights under this Lease to another party, Lessee will include all provisions of this section in any such assignment, including subsections (j) and (k). Further, each such assignment shall make the City a third party beneficiary with respect to enforcement of the MCO and shall give the City the right to enforce the remedies provided in the MCO against any assignee for violation of the MCO. Lessee shall notify the Department of Administrative Services when it enters into such an assignment and shall certify to the Department of Administrative Services that it has notified the assignee of its obligations under the MCO. If the City receives a complaint of a possible violation of the requirements of the MCO with respect to any assignee, Lessee shall, upon written request by the City, obtain such information from such assignee as the City shall specify relating to compliance with the MCO and Lessee shall comply with any reasonable request by the City to assist in resolving the complaint. The City is a third party beneficiary under this Lease only for purposes of enforcing the requirements of the MCO and for no other purpose.

(k) If Lessee enters into any agreement for the performance of services on the property covered by this Lease, Lessee will require the contractor to comply with the requirements of the MCO. Further, each such agreement shall make the City a third party beneficiary with respect to enforcement of the MCO and shall give the City the right to enforce the remedies provided in the MCO against any contractor for violation of the MCO. Lessee shall notify the Department of Administrative Services when it enters into such an agreement and shall certify to the Department of Administrative Services that it has notified the contractor of its obligations under the MCO. If the City receives a complaint of a possible violation of the requirements of the MCO with respect to any contractor providing services on the property covered by this Lease, Lessee shall, upon written request by the City, obtain such information from such contractor as the City shall specify relating to compliance with the MCO and Lessee shall comply with any reasonable request by the City to assist in resolving the complaint. The

City is a third party beneficiary under this Lease only for purposes of enforcing the requirements of the MCO and for no other purpose.

(l) Each Covered Employee is a third-party beneficiary with respect to the requirements of subsections (a) and (b) of this Section, and may pursue the following remedies in the event of a breach by Lessee of subsections (a) and (b), but only after the Covered Employee has provided the notice, participated in the administrative review hearing, and waited the 21-day period required by the MCO. Lessee understands and agrees that if the Covered Employee prevails in such action, the Covered Employee may be awarded: (1) an amount equal to the difference between the Minimum Compensation and any compensation actually provided to the Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then Leaseted by law; (2) in the event of a breach by Lessee of subsections (a) or (b), the right to seek reinstatement or to obtain other appropriate equitable relief; and (3) in the event that the Covered Employee is the prevailing party in any legal action or proceeding against Lessee arising from this Lease, the right to obtain all costs and expenses, including reasonable attorney's fees and disbursements, incurred by the Covered Employee. Lessee also understands that the MCO provides that if Lessee prevails in any such action, Tenant may be awarded costs and expenses, including reasonable attorney's fees and disbursements, from the Covered Employee if the court determines that the Covered Employee's action was frivolous, vexatious or otherwise an act of bad faith.

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

## **19. GENERAL PROVISIONS**

19.1 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 by overnight courier, return receipt requested, with postage prepaid, to: (a) Lessee's Notice Address; or (b) City at City's Notice Address; or (c) such other address as either Lessee 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 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; however, neither party may give official or binding notice by facsimile.

19.2 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.

19.3 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.

19.4 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.

19.5 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.

19.6 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 Lessee and City and, except as otherwise provided herein, their personal representatives and successors and assigns.

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

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

19.9 Brokers. Neither party has had any contact or dealings regarding the leasing of the Premises, or 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.

19.10 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 Leaseted by law.

19.11 Governing Law. This Lease shall be construed and enforced in accordance with the laws of the State of California.

19.12 Attorneys' Fees. In the event that either City or Lessee 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 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.

19.13 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.

19.14 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.

19.15 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 Lessees or other interested parties, to post notices of non-responsibility, to remeasure 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 Lessee'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 Lessee from the Premises. City reserves the right to grant easements or crossings in, over, upon and under the Premises, and nothing herein contained shall be construed as limiting the powers of City to lease, convey or otherwise transfer or encumber during the term of this Lease the hereinbefore

described lands for any purpose whatsoever not inconsistent or incompatible with the rights or privileges granted to Lessee by this Lease. City also reserves the right to construct, reconstruct, install, maintain, repair, remove, renew, operate and use from time to time, other pipelines, conduits, power lines, telephone lines, sewer drains, roads and roadways or other structures across, over or under the Premises and any rights of way or easements and/or pipelines used by Lessee. Each of City and Lessee shall be responsible for sufficiently identifying, locating and ensuring protection of its respective appurtenances and connecting subsurface pipelines, telecommunications equipment, utility equipment and pipes, and any other subsurface items from damage caused by any such construction within the Premises and any rights of way or easements. Notwithstanding anything to the contrary in this Lease, City reserves and retains all of the following rights relating to the Premises: (a) Any and all water and water rights, including (i) any and all surface water and surface water rights, including riparian rights and appropriative water rights to surface streams and the underflow of streams, and (ii) any and all groundwater and subterranean water rights, including, the right to export percolating groundwater for use by City or its water customers; and (b) Any and all minerals and mineral rights of every kind and character now known to exist or hereafter discovered in the Premises, including oil and gas and rights thereof, together with the sole, exclusive, and perpetual right to explore for, remove, and dispose of those minerals by any means or methods suitable to City or its successors and assigns, in such manner as not to damage permanently the surface of the Premises or to unreasonably interfere with the Use thereof by Lessee, without Lessee's prior written consent. In addition, City reserves all rights in and with respect to the Premises not inconsistent with the Use, including the right of City, at all reasonable times and, if reasonably practicable, following advance notice to Lessee, to enter and to Lease the City, the County of San Mateo, the County Water District, other governmental bodies, public or private utilities and other persons to enter upon the Premises for the purposes of installing, using, operating, maintaining, renewing, relocating and replacing such underground wells and water, oil, gas, steam, storm sewer, sanitary sewer and other pipelines, and telephone, electric, power and other lines, conduits, and facilities, and flood access and maintenance rights of way and equipment, as City may deem desirable in connection with the development or use of, or remediation of Hazardous Materials in, on, or under, the Premises or any other property in the neighborhood of the Premises, where owned by City or not. No such wells, pipelines, lines conduits, facilities or right of way shall interfere with the use or stability of any building or improvement on the Premises. Lessee hereby waives any claims for damages for any injury or inconvenience to or interference with Lessee's business on the Premises, any loss of occupancy or quiet enjoyment of the Premises or any other loss occasioned by City's exercise of its rights hereunder.

19.16 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.

19.17 Quiet Enjoyment and Title. Lessee, 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.

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

19.19 Estoppel Statements. Within ten (10) days after request therefor by City, Lessee shall deliver, in recordable form, a an estoppel statement certifying that this Lease is in full force and effect; the date of Lessee's most recent payment of Rent, and that Lessee 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 Lessee 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 Lessee has no right of offset, counterclaim or deduction against Rent hereunder; and (iii) no more than one month's Rent has been paid in advance. Notwithstanding the conclusiveness of Lessee's failure deliver such statement, Lessee's failure shall constitute a breach of this Lease.

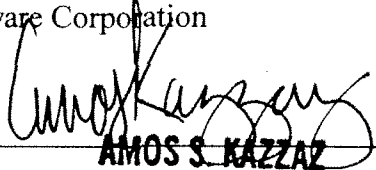
19.20 Subordination. This Lease is and shall be subordinate to any reciprocal easement agreement, ground lease, facilities lease or other underlying lease and the lien of any mortgage or deed of trust, that may now exist or hereafter be executed affecting the Premises, or any part thereof, or City's interest therein. Notwithstanding the foregoing, City or the holder shall have the right to subordinate any such interests to this Lease. If any ground lease or underlying lease terminates for any reason or any mortgage or deed of trust is foreclosed or a conveyance in lieu of foreclosure is made for any reason, Lessee shall attorn to the successor-in-interest to City, at the option of such successor-in-interest. The provisions of this Section shall be self-operative and no further instrument shall be required. Lessee agrees, however, to execute and deliver, upon demand by City and in the form requested by City, any additional documents evidencing the priority or subordination of this Lease.

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

19.22 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.

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


**LESSEE:** UNITED AIRLINES, INC.  
a Delaware Corporation

By:   
Name: **AMOS S. KAZZAZ**  
Title: **VICE PRESIDENT**  
**CORPORATE REAL ESTATE**

[Signatory also to initial summary]

**CITY:** CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation,  
acting by and through its Airport Commission

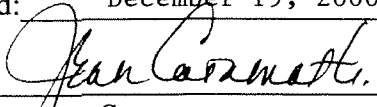
[Signatory also to initial summary]

  
John L. Martin  
Airport Director


AUTHORIZED BY AIRPORT  
COMMISSION 

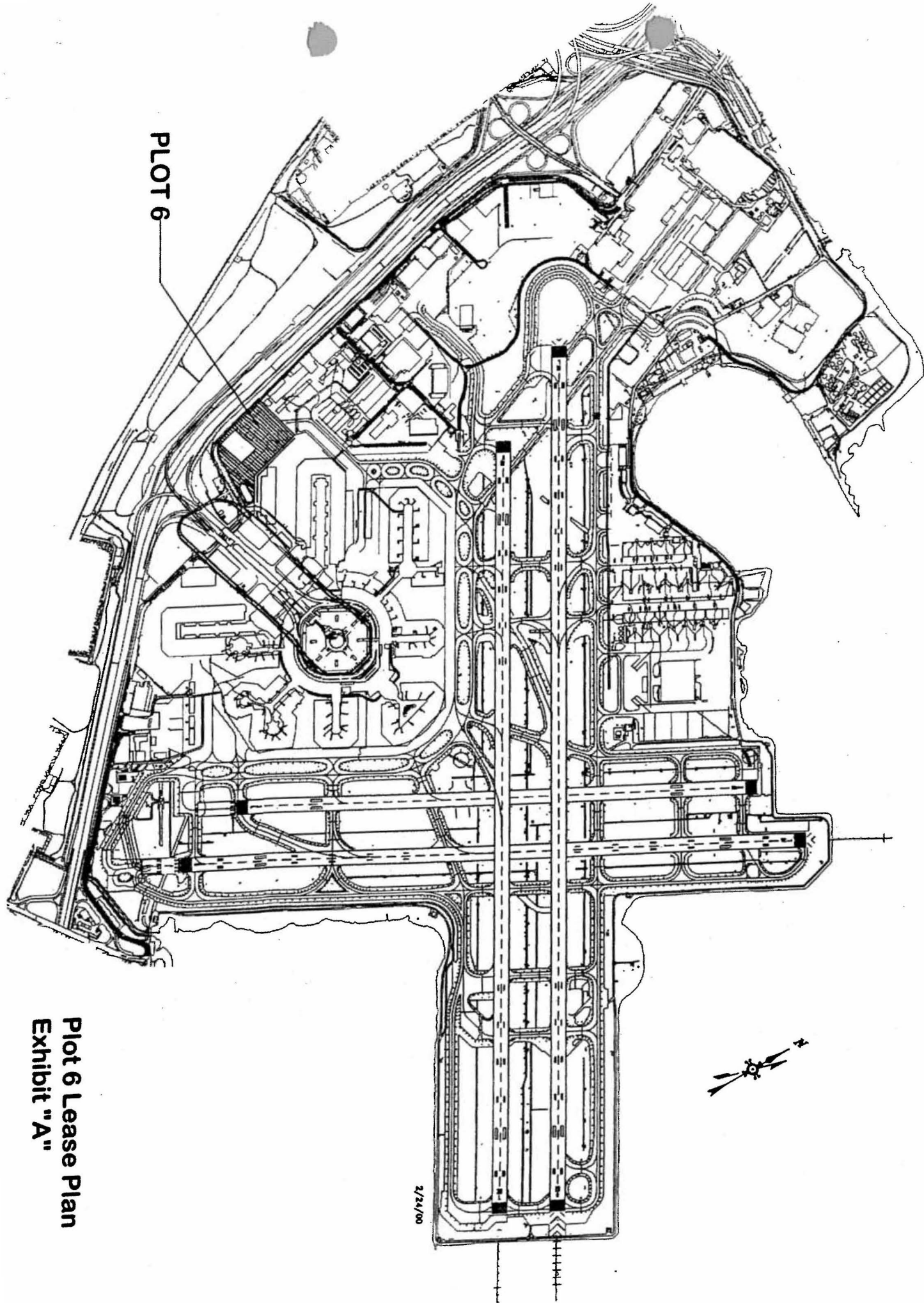
Resolution No. 00-0464

Adopted: December 19, 2000

Attest:   
Secretary  
Airport Commission

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

By   
Deputy City Attorney



PLOT 6

Plot 6 Lease Plan  
Exhibit "A"

2/24/00



**SAN FRANCISCO INTERNATIONAL AIRPORT**

**PLOT 6**

**Drawing No. CA-20828 Revision 1**

The following described Real Property situated entirely within the boundary of the San Francisco International Airport, County of San Mateo, State of California.

Commencing at a 2"Ø aluminum disk stamped "Towill Inc. Control #14" set on top of a concrete sidewalk near mid-span on the south side of the bridge, said monument depicted in San Francisco Airport Commission Drawing RA 10571 "Map of Airport Coordinate Systems" adopted May 1995; thence North 04°41'33" West, 684.74 feet to the True Point of Beginning of this description;

Thence North 44°59'12" West, 376.27 feet;  
Thence North 00°00'48" East, 754.43 feet;  
Thence South 89°59'13" West, 708.07 feet;  
Thence South 01°02'37" West, 262.52 feet to a non-tangent curve to the left having a radius of 2377 feet, a radial line to said curve bears North 88°41'08" West, thence Southerly along said curve through a central angle of 08°35'12" an arc length of 356.23 feet;  
Thence North 82°56'17" East, 13.73 feet;  
Thence South 06°50'29" East, 20.05 feet;  
Thence South 83°07'51" West, 13.74 feet to a non-tangent curve to the left having a radius of 279.34 feet, a radial line to said curve bears South 86°21'22" West, thence Southeasterly along said curve through a central angle of 71°55'17" an arc length of 350.64 feet;  
Thence South 72°27'13" East, 269.25 feet;  
Thence North 16°50'14" East, 7.00 feet;  
Thence South 73°09'46" East, 26.58 feet;  
Thence South 16°50'14" West, 5.30 feet;  
Thence South 71°12'01" East, 380.72 feet;  
Thence North 16°07'57" East, 6.56 feet;  
Thence South 72°32'05" East, 25.37 feet;  
Thence South 15°13'05" West, 15.77 feet;  
Thence South 71°57'31" East, 28.38 feet;  
Thence North 18°33'58" East, 109.44 feet;  
Thence North 86°33'28" East, 21.93 feet to the True Point of Beginning of this description.

Containing approximately 16.04 acres determined by AutoCAD method.

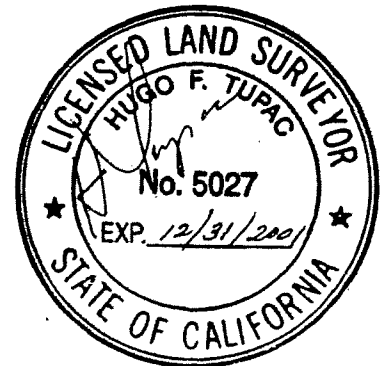
**END OF DESCRIPTION**

All bearings refer to the Airport's "C" Coordinate System and grid distances.  
Document prepared by Hugo F. Tupac L.S. 5027  
San Francisco International Airport March 21, 2000

N:\Leases\Plot 6

**EXHIBIT B**

**LEGAL DESCRIPTION**



## Appendix A

### Provisions Regarding City's Nondiscrimination Ordinance

The following provisions are incorporated into the Lease, lease, or other agreement to which it is attached (“**Agreement**”) as if fully set forth therein. As used below, the term “**Airline**” shall mean the Lessee or Lessee identified in the Agreement.

#### 1. Non-Discrimination in City Contracts and Benefits Ordinance

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

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

(c) Nondiscrimination in Benefits. Airline does not as of the date of this Lease and will not during the Term, in any of its operations within the City and County of San Francisco or in other locations owned by the City and County of San Francisco, including the Airport, discriminate in the provision of Non-ERISA Benefits (as defined below) between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in Section 12B.2(b) of the San Francisco Administrative Code. Airline shall not be deemed in violation of the immediately-preceding representation and covenant if Airline is pursuing the implementation of Non-ERISA Benefits within the timeframes established by the City’s Human Rights Commission consistent with the Rules of Procedure. As used above, the term “**Non-ERISA Benefits**” shall mean any and all benefits payable through benefit arrangements generally available to Airline's employees which are neither “employee welfare benefit plans” nor “employee pension benefit plans”, as those terms are defined in Sections 3(1) and 3(2) of ERISA. Non-ERISA Benefits shall include, but not be limited to, all benefits offered currently or in the future, by Airlines to its employees, the spouses of its employees or the domestic partners of its employees, that are not defined as “employee welfare benefits plans” or “employee pension benefit plans”, and, which include any bereavement leave, family and medical leave, and travel discounts provided by Airline to its employees, their spouses and the

domestic partners of employees.

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

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code relating to non-discrimination by parties contracting for the lease of City property are incorporated in this Section by reference and made a part of this Lease as though fully set forth herein. Airline shall comply fully with and be bound by all of the provisions that apply to this Lease under such Chapters of the Administrative Code, including the remedies provided in such Chapters. Without limiting the foregoing, Airline understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Lease may be assessed against Airline and/or deducted from any payments due Airline.

(f) Contingent Application of Ordinance.

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

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

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

review of the Benefits Provisions, this Lease will be deemed to give full effect to such ruling, reflecting the then-current state of the law.

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

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

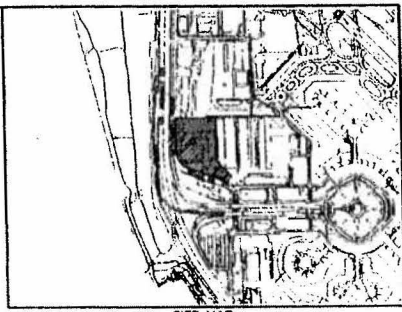
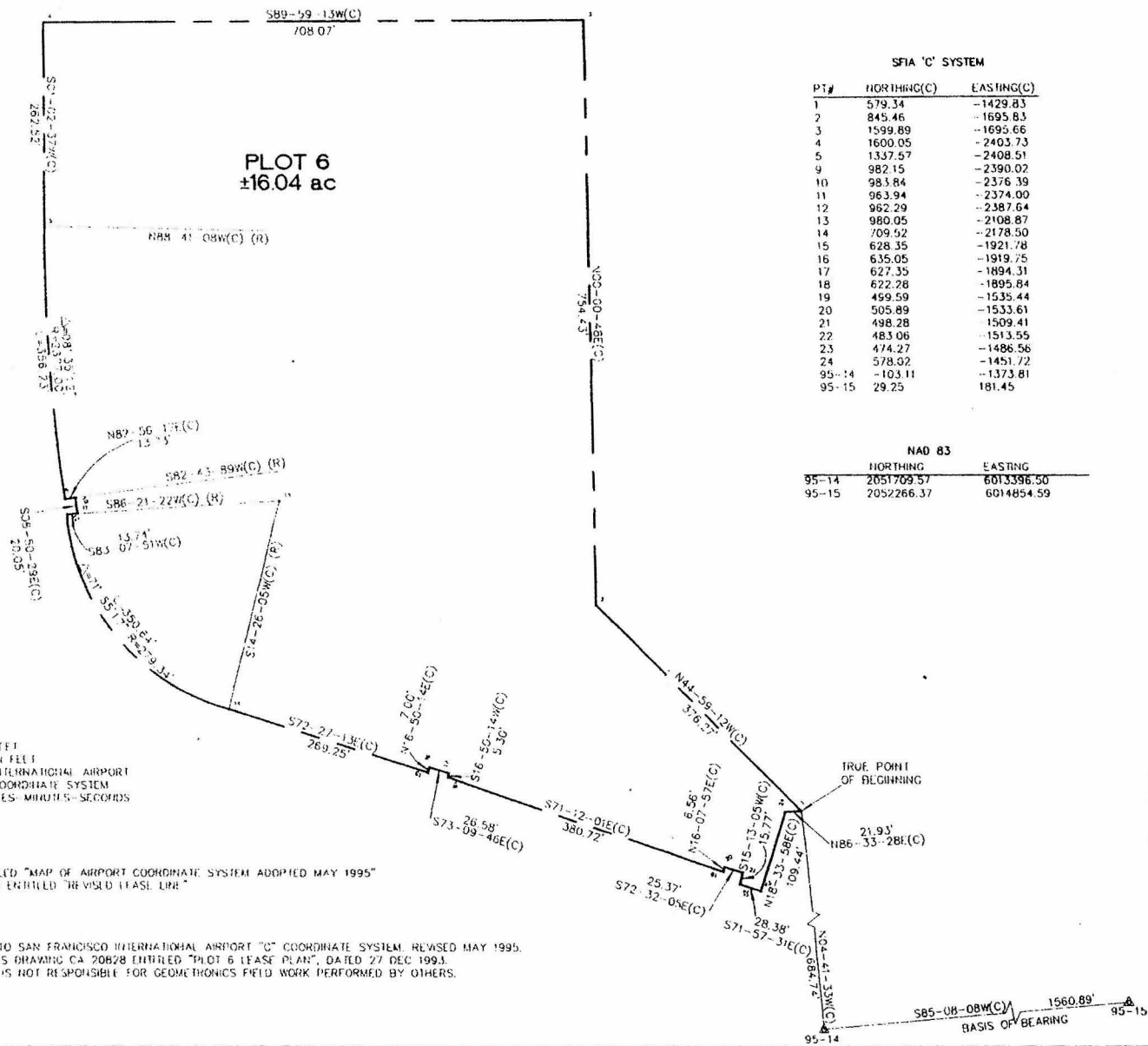
(6) If Airline fails to timely comply with the provisions of this Appendix, City shall have all rights and remedies available to City under this Lease (including termination of this Lease), under the San Francisco Administrative Code and at law or in equity.

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

LIST OF EXHIBITS

EXHIBIT A – Premises

EXHIBIT B – Legal Description



SFIA 'C' SYSTEM

PT#	NORTHING(C)	EASTING(C)
1	579.34	-1429.83
2	845.46	-1695.83
3	1599.89	-1695.66
4	1600.05	-2403.73
5	1337.57	-2408.51
9	982.15	-2390.02
10	983.84	-2376.39
11	963.94	-2374.00
12	952.29	-2387.64
13	980.05	-2108.87
14	709.52	-2178.50
15	628.35	-1921.78
16	635.05	-1919.75
17	627.35	-1894.31
18	622.28	-1895.84
19	459.59	-1535.44
20	505.89	-1533.61
21	498.28	1509.41
22	483.06	-1513.55
23	474.27	-1486.56
24	578.02	-1451.72
95-14	-103.11	-1373.81
95-15	29.25	181.45

NAD 83

	NORTHING	EASTING
95-14	2051709.57	6013396.50
95-15	2052266.37	6014854.59

RB RADIAL BEARING  
 L ARC LENGTH, IN FEET  
 R- RADIUS LENGTH, IN FEET  
 SFIA SAN FRANCISCO INTERNATIONAL AIRPORT  
 (C) SFIA 'C' LOCAL COORDINATE SYSTEM  
 XXX-XX-XX BEARING IN DEGREES-MINUTES-SECONDS

**MAP REFERENCE**  
 [1] DRAWING RA-10571 ENTITLED "MAP OF AIRPORT COORDINATE SYSTEM ADOPTED MAY 1995"  
 [2] DRAWING SA-991214 J.D.S. ENTITLED "REVISED LEASE PLAN"

**NOTES**  
 (1) BEARINGS SHOWN REFER TO SAN FRANCISCO INTERNATIONAL AIRPORT 'C' COORDINATE SYSTEM, REVISED MAY 1995.  
 (2) THIS DRAWING SUPERCEDES DRAWING CA 20828 ENTITLED "PLOT 6 LEASE PLAN", DATED 27 DEC 1993.  
 (3) SFIA GEOMATICS SECTION IS NOT RESPONSIBLE FOR GEOMETRONICS FIELD WORK PERFORMED BY OTHERS.

**EXHIBIT "A"**

**CITY AND COUNTY OF SAN FRANCISCO**  
**AIRPORT COMMISSION**  
**SAN FRANCISCO INTERNATIONAL AIRPORT**  
TRAVELER OPERATIONS AND MAINTENANCE, SECURITY SECTION

**PLOT 6**  
**LEASE PLAN**

APPROVED BY JUGO F. TUPAC	DATE 23 FEB 2000	SCALE 1" = 100'
APPROVED BY JANTHANA I WONG/JORGE DURAN	DATE 23 FEB 2000	REVISION NO.
DRAWING NO. <b>CA-20828</b>		1

SHEET 1 OF 1 SHEETS

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**SAN FRANCISCO INTERNATIONAL AIRPORT**

**PLOT 6**

**Drawing No. CA-20828 Revision 1**

The following described Real Property situated entirely within the boundary of the San Francisco International Airport, County of San Mateo, State of California.

Commencing at a 2"Ø aluminum disk stamped "Towill Inc. Control #14" set on top of a concrete sidewalk near mid-span on the south side of the bridge, said monument depicted in San Francisco Airport Commission Drawing RA 10571 "Map of Airport Coordinate Systems" adopted May 1995; thence North 04°41'33" West, 684.74 feet to the True Point of Beginning of this description;

Thence North 44°59'12" West, 376.27 feet;  
Thence North 00°00'48" East, 754.43 feet;  
Thence South 89°59'13 West, 708.07 feet;  
Thence South 01°02'37 West, 262.52 feet to a non-tangent curve to the left having a radius of 2377 feet, a radial line to said curve bears North 88°41'08" West, thence Southerly along said curve through a central angle of 08°35'12" an arc length of 356.23 feet;  
Thence North 82°56'17" East, 13.73 feet;  
Thence South 06°50'29" East, 20.05 feet;  
Thence South 83°07'51" West, 13.74 feet to a non-tangent curve to the left having a radius of 279.34 feet, a radial line to said curve bears South 86°21'22" West, thence Southeasterly along said curve through a central angle of 71°55'17" an arc length of 350.64 feet;  
Thence South 72°27'13" East, 269.25 feet;  
Thence North 16°50'14" East, 7.00 feet;  
Thence South 73°09'46" East, 26.58 feet;  
Thence South 16°50'14" West, 5.30 feet;  
Thence South 71°12'01" East, 380.72 feet;  
Thence North 16°07'57" East, 6.56 feet;  
Thence South 72°32'05" East, 25.37 feet;  
Thence South 15°13'05" West, 15.77 feet;  
Thence South 71°57'31" East, 28.38 feet;  
Thence North 18°33'58" East, 109.44 feet;  
Thence North 86°33'28" East, 21.93 feet to the True Point of Beginning of this description.

Containing approximately 16.04 acres determined by AutoCAD method.

**END OF DESCRIPTION**

All bearings refer to the Airport's "C" Coordinate System and grid distances.  
Document prepared by Hugo F. Tupac L.S. 5027  
San Francisco International Airport March 21, 2000



**MODIFICATION NO. 1 TO  
LEASE OF PLOT 6**

**SAN FRANCISCO INTERNATIONAL AIRPORT  
UNITED AIR LINES, INC.**

THIS MODIFICATION OF AGREEMENT (this “**Modification**”) dated as of July 1, 2011, is entered into by and between the City and County of San Francisco, acting by and through its Airport Commission (“**City**”), and United Air Lines, Inc. (“**Airline**”).

**Recitals**

- A. The City and County of San Francisco 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 chief executive officer of which is the Airport Director.
- B. Pursuant to Airport Commission Resolution No. 00-0464, dated December 19, 2000, and Board of Supervisors’ Resolution No. 403-01 on June 1, 2001, Airline became a signatory to the Lease of Plot 6 (Lease No. L00-0464) whereby Airline occupies approximately 16.04 acres of land at Plot 6, together with existing City owned buildings and structures including Buildings 575 and 585, for a period of twelve (12) years and one (1) month commencing retroactively to June 1, 1999 and expiring on June 30, 2011 (the “**Lease**”). As used below, the term “**Lease**” shall mean the Lease as amended and modified by this Modification.
- C. Pursuant a Letter Agreement dated October 30, 2008, also known as Sublease No. SL08-0189, Airline subleases portions of Building 575 and ancillary parking (the “**Sublease**”) to the City for occupancy by Airport staff, which Sublease expires on June 30, 2011. A copy of the Letter Agreement is incorporated herein and attached hereto as *Exhibit A*.
- D. Subject to all required approvals, the Sublease provides for a future Lease modification wherein the Term of the Lease will be extended for a additional ten (10) years (the “**Lease Extension**”), effective July 1, 2011 (the “**Lease Extension Date**”), the Demised Premises will be modified to exclude Building 575 in its entirety and related parking areas, and upon the terms and conditions as set forth below.
- E. The Sublease also provides that, pursuant to the modification, Airline shall pay to City, in addition to Annual Rent as provided for in Section 4 [Rent] of the Lease, a Deferred City Improvements Payment, as more fully described in Section 6 below.
- F. The City has offered, and Airline has accepted, a Lease Extension and other modified terms of the Lease pursuant to this Modification No. 1 thereto.
- G. As the required approvals cannot be obtained from the Board of Supervisors prior to the expiration of the Lease, and pursuant to Section 2.2 of the Lease, the Term will convert to hold over status pursuant to certain negotiated terms and conditions for the hold over period and Lease modification.
- H. Airline and City now desire to modify the terms of the Lease to: 1) extend the Term, 2) modify the Demised Premises, 3) modify the Annual Rent, 4) provide for the Deferred City



Improvements Payment, 5) provide for certain terms of retroactivity relating to the rent and Deferred City Improvements Payment, and other ancillary changes.

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

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

(a) The effective date (the “**Effective Date**”) of this Modification shall be retroactive to July 1, 2011 conditioned upon the following conditions: (1) the Airport Commission and Board of Supervisors shall have approved this Modification; and (2) both parties have executed this Modification.

(b) Capitalized terms not defined herein shall have the meanings given them in the Agreement.

**2. Term.** The Term of the Lease shall be extended for ten (10) years commencing on July 1, 2011 and terminating on June 30, 2021 (the “**Lease Extension Period**”).

**3. Demised Premises.**

(a) **Demised Premises After Effective Date.** From and after the Effective Date, the Demised Premises will be comprised of 12.54 acres of land, including 12.514 acres situated on a portion of Plot 6, together with the existing Building 585, and .025 acres situated within the Building 575 parking lot, together with an existing electric substation and a Rights-of-Way thereto.

(b) **Reservation of Right to Recapture Land.** In order to accommodate the commencement of operations of the Airbus A-380 aircraft at the Airport, City reserves the right to recapture a portion of the Demised Premises, and provide alternative land as deemed available and in consultation with Airline. In the event of such recapture, City will adjust the Annual Rent accordingly, effective on the date the City takes possession of such recaptured land.

**4. Annual Rent.** The Annual Rent for the first Lease Year of the Lease Extension Period shall be One Million Six Hundred Thirty Eight Thousand, Two Hundred Eight Dollars (\$1,638,208), based on a fair market value of \$130,910 per acre per year for 12.514 acres of land.

From and after the Effective Date, Section 4 [Rent] shall be modified by deletion of Sections 4.1, 4.3 and 4.4 in their entirety and replaced by the following Sections 4.1, 4.3 and 4.4:

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

(a) “**Consumer Price Index**” means that index published by the United States Department of Labor, Bureau of Labor Statistics known as “All Urban Consumers - All Items for the San Francisco/Oakland/San Jose Area (1982-84 = 100).” In the event such index is discontinued, then “**Consumer Price Index**” shall mean an index chosen by Director, which is, in Director’s reasonable judgment, comparable to the index specified above.

(b) “**Rent Adjustment Date**” means the first anniversary of the Lease Extension Date, and each anniversary of such adjustment date thereafter.

(c) “**Base Index**” means the most recent Consumer Price Index published three (3) months prior to the Lease Extension Date.

(d) “**Comparison Index**” means the most recent Consumer Price Index published three (3) months prior to each Rent Adjustment Date.

(e) “**Lease Year**” means the period commencing on the Commencement Date and expiring on the day before the first Rent Adjustment Date, and each subsequent 12-month period, commencing on each Rent Adjustment Date and expiring on the day before the subsequent Rent Adjustments Date, or expiring on the Expiration date, as the case may be.

4.3 Adjustments to Annual Rent. On each Rent Adjustment Date, the Annual Rent will be adjusted as follows: if the Comparison Index shall exceed the Base Index, then the annual Rent with respect to the upcoming Lease Year shall be increased to equal the following amount:

$$\text{Annual Rent commencing July 1, 2011} \times \frac{\text{Comparison Index}}{\text{Base Index}}$$

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

4.4 Rent Adjustment on the Sixth Lease Year of the Lease Extension Period. On the fifth (5<sup>th</sup>) Rent Adjustment Date after the Lease Extension Date, in lieu of the annual adjustment set forth in Section 4.3 [Adjustments to Annual Rent], Annual Rent shall be reviewed and adjusted upward to equal the greater of the Annual Rent in effect in the fifth (5<sup>th</sup>) Lease Year of the Lease Extension Period, as may have been adjusted pursuant to Section 4.3, and the fair market value for the land as determined by reappraisal. City, at its own expense, shall cause an independent appraisal of the Premises by a third party appraiser through the City’s Real Estate Division to determine the extent to which the value of such land has increased over the value of the land as reflected in the current Annual Rent. Upon comparison of the two values, the Annual Rent hereunder shall be adjusted to reflect the appropriate increase. Notwithstanding the above, once the Annual Rent has been adjusted for the sixth (6<sup>th</sup>) Lease Year of the Lease Extension Period, the Annual Rent shall be adjusted annually thereafter by CPI adjustment, as provided in Section 4.3 above, except that such adjustment mechanism shall be modified as follows:

4.4.1 Annual Rent will be equal to the Annual Rent effective for the first (1<sup>st</sup>) Lease Year of the Lease Extension Period pursuant to this Section 4.4.

4.4.2 Base Index will be equal to the Consumer Price Index published three (3) months prior to Lease Extension Date.

4.4.3 Notwithstanding anything to the contrary herein, in no event will the Annual Rent of any Lease Year of the Term be lower than the Annual Rent with respect to the prior Lease Year.

**5. Term and Conditions for the Hold Over Period.** The City and Airline have negotiated certain terms and conditions for the hold over period as follows:

(a) Airline will continue to pay the land rent at the current rate of \$173,423.22 per month, based on a rate of \$129,743.14 per acre per year, until this Modification is fully approved.

(b) The City's Sublease with Airline will be extended on all the same terms and conditions except that the Net Sublease Rent (Sublease Rent net of the "Improvement Deduction" as defined in the Sublease) of \$11,064 per month will be abated.

(c) Airline's obligation to pay the Deferred City Improvements Payment will be deferred until this Modification is fully approved.

(d) Upon full approval by the City, the City will issue a retroactive rental credit to Airline equal to \$62,735.72 for each month beginning July 2011 and ending upon full City approval. Such monthly credit is comprised of: 1) the variance between the current rent for June 2011 and the modified rent that will go into effect retroactive to July 2011 (\$36,906.02); and 2) the land rent paid by Airline for the land under the Subleased space occupied by the City (\$25,829.70).

**6. Exhibits.** From and after the Effective Date, Exhibits A and B shall be deleted in their entirety and substituted with Airport Drawing No. UAPLOT6, dated May 26, 2011, incorporated herein and attached hereto as *Exhibit B*.

**7. Deferred City Improvements Payment.** In addition to the Annual Rent for the land, Airline shall pay to City the Deferred City Improvements Payment in a lump sum equal to \$696,000 at the commencement of the Lease Extension Period or in sixty (60) equal payments of Eleven Thousand Six Hundred Dollars (\$11,600) per month over the first five (5) years of the Lease Extension Period. The "**Deferred City Improvements Payment**" shall mean a payment equal to \$696,000 for the deferred cost of certain remediation work in Building 575 required to make the Subleased space habitable for City, as performed by City on behalf of Airline, as more fully set forth in the Sublease, dated October 30, 2008, incorporated herein and attached hereto as *Exhibit A*. The obligation to pay the Deferred City Improvements Payment will commence on the first day of the month following full approval of this Modification by the City.

**8. City and Other Governmental Provisions.** The following sections are hereby added to the Lease as follows:

8.1 No Advertising or Promotions; Prohibition of Tobacco Advertising. Airline shall have no right to conduct any advertising or promotional activities on the Airport. Airline acknowledges and agrees that no advertising of cigarettes or tobacco products is allowed on any real property owned by or under the control of the City, including the Demised Premises and the Airport. This 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 prohibition does not apply to any advertisement sponsored by a state, local or nonprofit entity designed to communicate the health hazards of cigarettes and tobacco products or to encourage people not to smoke or to stop smoking.

8.2 Requiring Health Benefits for Covered Employees.

A. Unless exempt, Airline agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the HCAO is available on the web at <http://www.sfgov.org/olse>. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12Q.

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

C. Notwithstanding the above, if the Airline is a small business as defined in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with Subsection (A) above.

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

E. Any Subcontract entered into by Airline 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. Airline shall notify City's Purchasing Department when it enters into such a Subcontract and shall certify to the Purchasing Department that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Airline 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 Airline based on the Subcontractor's failure to comply, provided that City has first provided Airline with notice and an opportunity to obtain a cure of the violation.

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

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

H. Airline shall maintain employee and payroll records in compliance with California Labor Code and Industrial Welfare Commission orders.

I. Airline shall keep itself informed of the current requirements of the HCAO.

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

K. Airline shall provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least ten (10) business days to respond.

L. Airline shall allow City to inspect Airline's Demised Premises and to have access to Airline's employees in order to monitor and determine compliance with HCAO.

M. City may conduct random audits of Airline to ascertain its compliance with HCAO. Airline agrees to cooperate with City when it conducts such audits.

N. If Airline is exempt from the HCAO when this Agreement is executed because its amount is less than twenty-five thousand dollars (\$25,000), but Airline later enters into an agreement or agreements that cause Airline's aggregate amount of all agreements with City to reach seventy-five thousand dollars (\$75,000), all the agreements shall be thereafter subject to the HCAO. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between Airline and the Contracting Department to be equal to or greater than seventy-five thousand dollars (\$75,000) in the Fiscal Year.

8.3 Notification of Limitations on Contributions. Through its execution of this Agreement, Airline acknowledges that it is familiar with Section 1.126 of the San Francisco Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the selling or leasing any land or building to or from the City whenever such transaction would require approval by a City elective officer or the board on which that City elective officer serves, from making any campaign contribution to the officer at any time from the commencement of negotiations for such contract until the termination of negotiations for such contract or three (3) months has elapsed from the date the contract is approved by the City elective officer, or the board on which that City elective officer serves.

8.4 Compliance with Laws. Airline shall keep itself fully informed of the City Charter, codes, ordinances and regulations of the City and of all State, and federal laws in any manner applicable to the performance of this Agreement, and must at all times comply with such applicable local codes, ordinances, and regulations and all applicable laws as they may be amended from time to time.

8.5 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, with the Airport Director's prior consent.

8.6 Food Service Waste Reduction. If and to the extent applicable, the Airline agrees to comply fully with and be bound by all of the applicable provisions of the Food Service Waste Reduction Ordinance, as set forth in the San Francisco Environment Code, Chapter 16, including the remedies provided therein, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated herein by reference and made a part of this Agreement as though fully set forth herein. Accordingly, Airline acknowledges that City contractors and lessees may not use Disposable Food Service Ware that contains Polystyrene Foam in City Facilities and while performing under a City contract or lease, and shall instead use suitable Biodegradable/Compostable or Recyclable Disposable Food Service Ware. This provision is a material term of this Agreement. By entering into this agreement, Airline agrees that if it breaches this provision, City will suffer actual damages that will be impractical or extremely difficult to determine; further, Airline agrees that the sum of one hundred dollars (\$100.00) liquidated damages for the first breach, two hundred dollars (\$200.00) liquidated damages for the second breach in the same year, and five hundred dollars (\$500.00) liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that City will incur based on the violation, established in light of the circumstances existing at the time this agreement was made. Such amounts shall not be considered a penalty, but rather agreed monetary damages sustained by City because of Airline's failure to comply with this provision.

8.7 Labor Disputes. Airline agrees to use commercially reasonable efforts to avoid disruption to City, other Air Carriers, Airport tenants, or members of the public arising from labor disputes involving Airline, and in the event of a strike, picketing, demonstration or other labor difficulty involving Airline, to use commercially reasonable efforts, including the utilization of available legal remedies, to minimize or eliminate any disruption to City, other Air Carriers, Airport tenants, or members of the public, arising from such strike, picketing, demonstration or other labor difficulty.

8.8 Preservative-Treated Wood Containing Arsenic. As of July 1, 2003, Airline may not purchase preservative-treated wood products containing arsenic in the performance of this Agreement unless an exemption from the requirements of Environment Code Chapter 13 is obtained from the Department of Environment under Section 1304 of the Environment Code. The term "preservative-treated wood containing arsenic" shall mean wood treated with a preservative that contains arsenic, elemental arsenic, or an arsenic copper combination, including, but not limited to, chromated copper arsenate preservative, ammoniac copper zinc arsenate preservative, or ammoniacal copper arsenate preservative. Airline may purchase preservative-treated wood products on the list of environmentally preferable alternatives prepared and adopted by the Department of Environment. This provision does not preclude Airline from purchasing preservative-treated wood containing arsenic for saltwater immersion. The term "saltwater immersion" shall mean a pressure-treated wood that is used for construction purposes or facilities that are partially or totally immersed in saltwater.

9. Full Force and Effect. As modified hereby, each and every one of the terms, conditions, and covenants in the Agreement shall remain in full force and effect.

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IN WITNESS WHEREOF, the parties hereto have executed this Modification in duplicate by their duly authorized officers the day and year first hereinabove written.

AIRLINE: United Air Lines, Inc.

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

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CITY: CITY AND COUNTY OF SAN FRANCISCO,  
a municipal corporation,  
acting by and through its Airport Commission

John L. Martin  
John L. Martin  
Airport Director

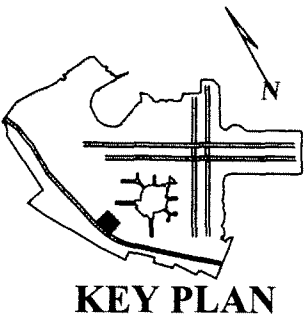
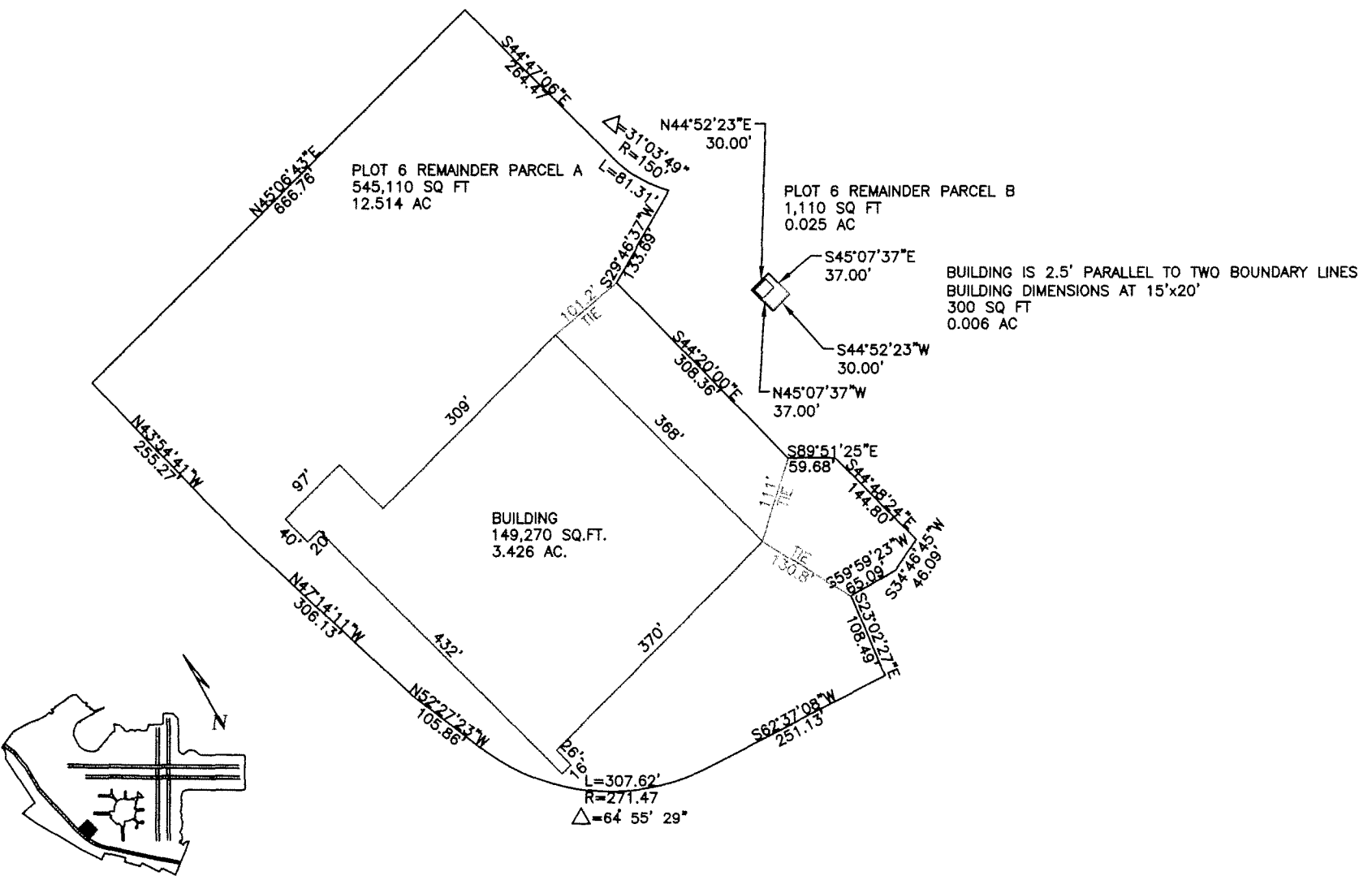
AUTHORIZED BY AIRPORT  
COMMISSION

Resolution No. 11-0135  
Adopted: June 7 2011  
Attest: [Signature]  
Secretary  
Airport Commission

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

By: [Signature]  
Deputy City Attorney

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TENANT LOCATION LEASE DRAWING		LOCATION	TENANT	CAT	AREA	CONTRACT	EFF DATE
		PARCEL A	UA			12,514 ac	
LOCATION: PLOT 6 - REMAINDER PARCELS A AND B		PARCEL B	UA		.025 ac		
UNITED AIRLINES							
CITY & COUNTY OF SAN FRANCISCO	DWG: UAPLOT6						
AIRPORTS COMMISSION	SCALE: 1"=100'-0"						
SAN FRANCISCO INTERNATIONAL AIRPORT	DATE: 05/26/2011						





## San Francisco Ethics Commission

25 Van Ness Avenue, Suite 220, San Francisco, CA 94102

Phone: 415.252.3100 . Fax: 415.252.3112

[ethics.commission@sfgov.org](mailto:ethics.commission@sfgov.org) . [www.sfethics.org](http://www.sfethics.org)

Received On:

File #:

200061

Bid/RFP #:

### Notification of Contract Approval

SFEC Form 126(f)4

(S.F. Campaign and Governmental Conduct Code § 1.126(f)4)

A Public Document

Each City elective officer who approves a contract that has a total anticipated or actual value of \$100,000 or more must file this form with the Ethics Commission within five business days of approval by: (a) the City elective officer, (b) any board on which the City elective officer serves, or (c) the board of any state agency on which an appointee of the City elective officer serves. For more information, see: <https://sfethics.org/compliance/city-officers/contract-approval-city-officers>

#### 1. FILING INFORMATION

<b>TYPE OF FILING</b>	<b>DATE OF ORIGINAL FILING (for amendment only)</b>
Original	
<b>AMENDMENT DESCRIPTION – Explain reason for amendment</b>	

#### 2. CITY ELECTIVE OFFICE OR BOARD

<b>OFFICE OR BOARD</b>	<b>NAME OF CITY ELECTIVE OFFICER</b>
Board of Supervisors	Members

#### 3. FILER'S CONTACT

<b>NAME OF FILER'S CONTACT</b>	<b>TELEPHONE NUMBER</b>
Angela Calvillo	415-554-5184
<b>FULL DEPARTMENT NAME</b>	<b>EMAIL</b>
office of the clerk of the Board	Board.of.Supervisors@sfgov.org

#### 4. CONTRACTING DEPARTMENT CONTACT

<b>NAME OF DEPARTMENTAL CONTACT</b>	<b>DEPARTMENT CONTACT TELEPHONE NUMBER</b>
Cathy widener	650-821-5023
<b>FULL DEPARTMENT NAME</b>	<b>DEPARTMENT CONTACT EMAIL</b>
AIR AIRPORT COMMISSION	CATHY.WIDENER@FLYSFO.COM

5. CONTRACTOR	
<b>NAME OF CONTRACTOR</b> United Airlines, Inc.	<b>TELEPHONE NUMBER</b> (800) 864-8331
<b>STREET ADDRESS (including City, State and Zip Code)</b> Willis Tower, 233 S. Wacker Drive, Chicago, IL 60606	<b>EMAIL</b>

6. CONTRACT		
<b>DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)</b>	<b>ORIGINAL BID/RFP NUMBER</b>	<b>FILE NUMBER (If applicable)</b> 200061
<b>DESCRIPTION OF AMOUNT OF CONTRACT</b> Approximate Total of \$2,243,014.43		
<b>NATURE OF THE CONTRACT (Please describe)</b> Mod. #2 to Ground Lease L00-0464 between United Airlines, Inc. and the CCSF, acting by and through its Airport Commission, for the Exchange of Certain Land at Plot 6 in Support of the Plot 6 Reconfiguration Project		

7. COMMENTS
Mod. #2 will decrease the annual rent payable by United to \$2,243,014.43 and no changes to the term, to take effect after Board approval and full execution of Modification No. 2.

8. CONTRACT APPROVAL	
This contract was approved by:	
<input type="checkbox"/>	<b>THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM</b>
<input checked="" type="checkbox"/>	<b>A BOARD ON WHICH THE CITY ELECTIVE OFFICER(S) SERVES</b> Board of Supervisors
<input type="checkbox"/>	<b>THE BOARD OF A STATE AGENCY ON WHICH AN APPOINTEE OF THE CITY ELECTIVE OFFICER(S) IDENTIFIED ON THIS FORM SITS</b>

**9. AFFILIATES AND SUBCONTRACTORS**

List the names of (A) members of the contractor’s board of directors; (B) the contractor’s principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
1	MUNOZ	Oscar	Board of Directors
2	KIRBY	J. Scott	Board of Directors
3	LADERMAN	Gerry	Board of Directors
4	HART	Gregory L	Board of Directors
5	MUNOZ	Oscar	CEO
6	LADERMAN	Gerry	CFO
7	HART	Gregory L	COO
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**9. AFFILIATES AND SUBCONTRACTORS**

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#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
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**9. AFFILIATES AND SUBCONTRACTORS**

List the names of (A) members of the contractor’s board of directors; (B) the contractor’s principal officers, including chief executive officer, chief financial officer, chief operating officer, or other persons with similar titles; (C) any individual or entity who has an ownership interest of 10 percent or more in the contractor; and (D) any subcontractor listed in the bid or contract.

#	LAST NAME/ENTITY/SUBCONTRACTOR	FIRST NAME	TYPE
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Check this box if you need to include additional names. Please submit a separate form with complete information. Select “Supplemental” for filing type.

**10. VERIFICATION**

I have used all reasonable diligence in preparing this statement. I have reviewed this statement and to the best of my knowledge the information I have provided here is true and complete.

**I certify under penalty of perjury under the laws of the State of California that the foregoing is true and correct.**

<p><b>SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK</b></p>  <p>BOS Clerk of the Board</p>	<p><b>DATE SIGNED</b></p>
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