

File No. 210342

Committee Item No. 2  
Board Item No. 7

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

**Committee:** Budget & Finance Committee

**Date** May 5, 2021

**Board of Supervisors Meeting**

**Date** May 11, 2021

#### Cmte Board

<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 checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Budget and Legislative Analyst Report
<input type="checkbox"/>	<input type="checkbox"/>	Youth Commission Report
<input type="checkbox"/>	<input type="checkbox"/>	Introduction Form
<input checked="" type="checkbox"/>	<input checked="" 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)

<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<u>Airport Commission Resolution No. 20-0252</u>
<input type="checkbox"/>	<input type="checkbox"/>	

**Completed by:** Linda Wong

**Date** April 27, 2021

**Completed by:** Linda Wong

**Date** May 7, 2021

1 [Lease Amendment No. 3 - World Duty Free Group North America, LLP - Terminal 2  
2 Newsstands, Coffee and Specialty Stores - Term Extension]

3 **Resolution approving Amendment No. 3 to the Terminal 2 Newsstands, Coffee and**  
4 **Specialty Stores Lease No. 10-0232, between World Duty Free Group North America,**  
5 **LLP, as tenant, and the City and County of San Francisco, acting by and through its**  
6 **Airport Commission, for an extension of the term for no later than June 30, 2023,**  
7 **with a condition that the Airport Director, at his sole and absolute discretion, may**  
8 **terminate earlier by providing six months' advance written notice, with no change to**  
9 **the current minimum annual guarantee, subject to adjustment in accordance with the**  
10 **terms and conditions of the Lease, effective upon approval by the Board of**  
11 **Supervisors.**

12

13 WHEREAS, On July 6, 2010, by Resolution No. 10-0232, the Airport Commission  
14 (Commission) awarded the Terminal 2 Newsstands, Coffee and Specialty Stores Lease  
15 No. 10-0232 (Lease) to Host International Inc. (Original Tenant) for five facilities located in  
16 Terminal 2 of the San Francisco International Airport (Airport); and

17 WHEREAS, On September 14, 2010, by Resolution No. 417-10, the Board of  
18 Supervisors approved the Lease; and

19 WHEREAS, On December 6, 2011, by Resolution No. 11-0296, the Commission  
20 approved Amendment No. 1 to the Lease, modifying certain defined terms Section 4 of the  
21 Lease; and

22 WHEREAS, On December 8, 2015, by Resolution No. 489-15, the Board of  
23 Supervisors approved Amendment No. 1 to the Lease; and

1           WHEREAS, On November 20, 2012, by Resolution No. 12-0263A, the Commission  
2       approved the assignment of the Lease by Original Tenant to World Duty Free Group North  
3       America, LLP; and

4           WHEREAS, Staff has determined that, due to the COVID-19 pandemic and the  
5       resulting severe decline in enplanements and concession traffic, commencing a new Request  
6       for Proposals process for this Lease would not be prudent because there would not be  
7       sufficient interest to conduct a strong competitive process; and

8           WHEREAS, On December 15, 2020, by Resolution No. 20-0252, the Commission  
9       approved Amendment No. 3 to the Lease to extend the term of the Lease to maintain  
10      concession operations, preserve customer service, and maintain revenue; and

11          WHEREAS, On January 5, 2021, by Ordinance No. 5-21, the Board of Supervisors  
12      approved the COVID-19 Emergency Relief Program for Airport Concession Operations, which  
13      will be set forth in Amendment No. 2 to the Lease; now therefore, be it

14          RESOLVED, That this Board of Supervisors approves Amendment No. 3 to the  
15      Terminal 2 Newsstands, Coffee and Specialty Stores Lease No. 10-0232 with World Duty  
16      Free Group North America, LLP to extend the term of the Lease to no later than June 30,  
17      2023, with a condition that the Airport Director, at his sole and absolute discretion, may  
18      terminate earlier by providing six months' advance written notice, a copy of which is on  
19      file with the Clerk of the Board of Supervisors in File No. 210342; and, be it

20          FURTHER RESOLVED, That within thirty (30) days of the amendment being fully  
21      executed by all parties, the Airport Commission shall provide the final amendment to the Clerk  
22      of the Board for inclusion into the official file.

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<b>Item 2</b> <b>File 21-0342</b>	<b>Department:</b> San Francisco International Airport (Airport)
<b>EXECUTIVE SUMMARY</b>	
<b>Legislative Objectives</b>	
<ul style="list-style-type: none"><li>The proposed resolution would approve Amendment No. 3 to the Terminal 2 Newsstands, Coffee, and Specialty Stores Lease between San Francisco International Airport (Airport) as landlord and World Duty Free Group North America, LLP (WDFG) as tenant, extending the term by approximately two years and two months through June 2023, with no change to the Minimum Annually Guaranteed (MAG) rent.</li></ul>	
<b>Key Points</b>	
<ul style="list-style-type: none"><li>In 2010, the Board of Supervisors approved a Newsstands, Coffee, and Specialty Stores Lease for five concession locations with Host International, Inc. in Terminal 2. In 2012, the Airport Commission approved the assignment of the lease to WDFG. The lease expires on April 30, 2021.</li><li>Due to the COVID-19 pandemic and severe downturn in enplanements and concession sales, Airport Management has determined that it would not be prudent to initiate a Request for Proposals (RFP) process to select a new tenant at this time. The proposed Amendment No. 3 would extend WDFG's lease by approximately two years and two months from the date of Board of Supervisors approval through June 30, 2023, with no change to the MAG rent. The lease could be terminated at the Airport Director's sole discretion by providing six months' written notice.</li></ul>	
<b>Fiscal Impact</b>	
<ul style="list-style-type: none"><li>Under the lease, the Airport receives the greater of MAG rent, which is currently \$1,489,453, or tiered percentage rent of gross revenues. Over the two-year and two-month period from the expiration of the original lease through the term of the lease extension, the value of the MAG is at least \$3,227,149.</li><li>The lease contains a provision that suspends the MAG rent if enplanements drop to below 80 percent of 2009 levels for three consecutive months, consistent with Airport policy. The MAG is then reinstated if enplanements increase back to at least 80 percent of 2009 levels for two consecutive months. When the MAG is suspended, WDFG still pays percentage rent, which may be lower than the MAG. MAG rents are currently suspended due to the impact of COVID-19 on air travel.</li></ul>	
<b>Recommendation</b>	
<ul style="list-style-type: none"><li>Approve the proposed resolution.</li></ul>	

**MANDATE STATEMENT**

City Charter Section 9.118(c) states that (1) any lease of real property for ten or more years, including options to renew, (2) have anticipated revenues to the City of \$1,000,000, or (3) the modification, amendment or termination of these leases is subject to Board of Supervisors approval.

**BACKGROUND**

In 2010, the San Francisco International Airport (Airport) issued a Request for Proposals (RFP) to award a Newsstands, Coffee, and Specialty Stores lease for five retail locations in Terminal 2. The Airport received four proposals, and a scoring panel determined that Host International, Inc. was the highest scoring responsive and responsible proposer. In September 2010, the Board of Supervisors approved a lease with Host International for a term of 10 years and initial Minimum Annually Guaranteed (MAG) rent of \$1,126,000 (File 10-1002). In November 2012, the Airport Commission approved the assignment of the lease to World Duty Free Group North America, LLC (WDFG).

The lease with WDFG expires on April 30, 2021. Due to the COVID-19 pandemic and severe downturn in enplanements and Airport concession sales, Airport Management has determined that it would not be prudent to initiate an RFP process to select a new tenant at this time. In December 2020, the Airport Commission approved Amendment No. 3 to the lease, extending the term by two years and two months through June 2023.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would approve Amendment No. 3 to the lease between the Airport as landlord and WDFG as tenant, extending the term by approximately two years and two months from the date of Board of Supervisors approval through June 2023.<sup>1</sup> Under the proposed Amendment No. 3, the MAG rent and other lease terms would not change. The lease could be terminated under the Airport Director's sole discretion by providing six months' written notice.

Under the lease, WDFG operates two newsstands (Sunset News and SF News Express), two specialty stores (M. Fredric and Kiehl's), and one coffee shop (Starbucks). According to Ms. Veronica Zamani, Airport Principal Property Manager, Sunset News has remained operational, but the other concession locations suspended operations due to the COVID-19 pandemic. The two specialty stores reopened in late 2020 and SF News Express reopened in April 2021. Starbucks has not yet reopened. WDFG has participated in the COVID-19 Emergency Rent Relief Program, which waived certain rents and fees to encourage business recovery, employee rehiring, and continued operations at the Airport (File 20-1278).

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<sup>1</sup> Amendment No. 1, approved by the Airport Commission in December 2011 and later by the Board of Supervisors in December 2015, revised the definition of "lease year" to clarify that the first lease year was an eight-month period rather than a 20-month period (File 15-0965). Amendment No. 2, approved by the Airport Commission in October 2020, incorporated the COVID-19 Rent Relief Program for Airport concession tenants.

The proposed Amendment No. 3 adds new sections to Article 19 of the lease, including (a) nutritional standards and calorie labeling requirements for vending machines; (b) Administrative Code Chapter 12K restrictions on considering current and past salary history of job applicants; (c) local hire requirements for site alterations; (d) compliance with the City's resource-efficient building requirements; (e) compliance with all-gender toilet facilities requirements; and (f) compliance with Federal Labor Standards Act (FLSA) and Occupational Health and Safety Act (OSHA) requirements.

### **FISCAL IMPACT**

Under the lease, the Airport receives the greater of MAG rent, which is currently \$1,489,453, or tiered percentage rent of gross revenues.<sup>2</sup> Over the two-year and two-month period from the expiration of the original lease through the term of the lease extension, the value of the MAG rent is at least \$3,227,149.

The current MAG rent of \$1,489,453 is based on the original MAG rent of \$1,126,000 adjusted annually by the Consumer Price Index (CPI). In calendar year 2019, the last full year before the COVID-19 pandemic, WDFG paid \$1,796,800 in percentage rent.

### **MAG Suspension**

The lease contains a provision that suspends the MAG rent if enplanements drop below 80 percent of 2009 levels for three consecutive months, consistent with Airport policy. The MAG is then reinstated if enplanements increase back to at least 80 percent of 2009 levels for two consecutive months. When the MAG is suspended, WDFG still pays percentage rent, which may be lower than the MAG. MAG rents are currently suspended due to the impact of COVID-19 on air travel.

### **RECOMMENDATION**

Approve the proposed resolution.

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<sup>2</sup> Under the lease WDFG pays percentage rent of 12 percent of gross revenues up to \$1,000,000, 14 percent of gross revenues from \$1,000,000 up to \$2,000,000, and 16 percent of gross revenues over \$2,000,000.

**AMENDMENT NO. 3 TO  
TERMINAL 2 NEWSSTANDS, COFFEE AND SPECIALTY STORE  
AT SAN FRANCISCO INTERNATIONAL AIRPORT**

THIS AMENDMENT NO. 3 TO TERMINAL 2 NEWSSTANDS, COFFEE AND SPECIALTY STORE LEASE NO. 10-0232 AT THE SAN FRANCISCO INTERNATIONAL AIRPORT (this “Amendment”), dated as of \_\_\_\_\_ (the “Effective Date”), is entered by and between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, acting by and through its AIRPORT COMMISSION, as landlord (“City”), and WORLD DUTY FREE GROUP NORTH AMERICA, LLP., a Delaware limited liability partnership (“Tenant”).

**RECITALS**

A. On July 6, 2010, by Resolution No. 10-0232, the Airport Commission (the “Commission”) awarded Lease No. 10-0232 (as amended, the “Lease”) to Host International Inc. (“Initial Tenant”) pursuant to which Tenant currently operates numerous retail facilities (“Starbucks, M. Fredric, Kiehl’s, Sunset News, and SF News Express”) in Terminal 2, Boarding Area D (the “Premises”) for an initial term of 10 years (the “Term”). The Term of the Lease expires April 30, 2021 (the “Current Expiration Date”). On November 20, 2012, by Resolution No. 12-0263A, the Commission approved the assignment of the Lease from Initial Tenant to Tenant.

B. On October 6, 2020, by Resolution No. 20-0180, the Commission adopted the COVID-19 Emergency Rent Relief Program for Airport Concessions Tenants, which will be memorialized in Amendment No. 2 to the Lease.

C. Due to the COVID-19 pandemic, the Airport is delaying all leasing efforts and new tenant construction. In order to preserve customer service and maintain revenue from concessions in Terminal 2, City and Tenant have agreed to further extend the Term to June 30, 2023.

D. All capitalized terms not otherwise defined herein shall have the same meaning given to them in the Lease.

NOW, THEREFORE, in consideration of the foregoing and for valuable consideration the sufficiency of which is hereby acknowledged, City and Tenant hereby agree to amend the Lease as follows:

**AGREEMENT**

1. **Recitals.** The foregoing recitals are true and correct and are incorporated herein by this reference as if fully set forth herein.

2. **Term.** The Current Expiration Date of the Lease is extended to June 30, 2023 (the “Extended Expiration Date”). Notwithstanding the foregoing, City, acting through the Airport Director in his sole and absolute discretion, shall have the right to terminate the Lease at any time prior to the Extended Expiration Date by providing six months’ advance written notice to Tenant.

3. **Minimum Annual Guarantee (“MAG”).** Subject to Section 4.12 of the Lease [Severe Decline in Enplanements], MAG shall continue to be payable and subject to upward adjustment in accordance with the Lease.

4. **Additional City and Other Governmental Provisions.** The following provisions are hereby incorporated as new sections of the Article 19 of the Lease:

**19.27 Vending Machines; Nutritional Standards and Calorie Labeling Requirements.**

Tenant may not install or permit any vending machine on the Premises without the prior written consent of the Airport Director. Any permitted vending machine will 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**”). Tenant will incorporate the Nutritional Standards Requirements into any contract for the installation of a vending machine on the Premises 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 provision will be a material breach of this Lease. Without limiting City’s other rights and remedies under this Lease, City will have the right to require the immediate removal of any vending machine on the Premises that is not permitted or that violates the Nutritional Standards Requirements.

**19.28 Consideration of Salary History.** Tenant shall comply with Administrative Code Chapter 12K (“**Chapter 12K**”), the Consideration of Salary History Ordinance or “Pay Parity Act.” Tenant is prohibited from considering current or past salary of an applicant in determining whether to hire the applicant or what salary to offer the applicant to the extent that such applicant is applying for employment to be performed on this Lease or in furtherance of this Lease, and whose application, in whole or part, will be solicited, received, processed or considered, whether or not through an interview, in the City or on City property. The ordinance also prohibits employers from (1) asking such applicants about their current or past salary or (2) disclosing a current or former employee’s salary history without that employee’s authorization unless the salary history is publicly available. Tenant is subject to the enforcement and penalty provisions in Chapter 12K. Information about and the text of Chapter 12K is available on the web at <https://sfgov.org/olse/consideration-salary-history>. Tenant is required to comply with all of the applicable provisions of Chapter 12K, irrespective of the listing of obligations in this Section. Tenant shall include this obligation in all subleases, licenses, sublicenses and any other contracts for work to be performed in the Premises entered into by Tenant.

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

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

19.31 All Gender Toilet Facilities. If applicable, Tenant will comply with San Francisco Administrative Code Section 4.1-3 requiring at least one all-gender toilet facility on each floor of the Premises in any building where extensive renovations are made by Tenant. 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 fifty percent (50%) of the cost of providing the toilet facilities required by Administrative Code Section 4.1-3. If Tenant has any question about applicability or compliance, Tenant should contact Building Inspection and Code Enforcement (BICE) for guidance.

19.32 Federal Fair Labor Standards Act. The Lease incorporates by reference the provisions of 29 USC §201, the Federal Fair Labor Standards Act (FLSA), with the same force and effect as if given in full text. The FLSA sets minimum wage, overtime pay, recordkeeping, and child labor standards for full and part time workers. Tenant has full responsibility to monitor compliance to the referenced statute or regulation for its employees in the Premises. Tenant must address any claims or disputes that arise from this requirement directly with the U.S. Department of Labor – Wage and Hour Division.

19.33 OSHA. The Lease incorporates by reference the requirements of 29 CFR §1910 with the same force and effect as if given in full text. Tenant retains full responsibility to monitor its compliance and their contractor's and subcontractor's compliance with the applicable requirements of the Occupational Safety and Health Act of 1970 (29 CFR §1910). Tenant must address any claims or disputes that pertain to a referenced requirement directly with the U.S. Department of Labor – Occupational Safety and Health Administration.”

5. **Entire Agreement.** This Amendment contains all of the representations and the entire agreement between the parties with respect to the subject matter of this Amendment. Any prior correspondence, memoranda, agreements, warranties, or written or oral representations relating to the subject matter of this Amendment are superseded in their entirety by this Amendment. No prior drafts of this Amendment or changes between those drafts and the executed version of this Amendment shall be introduced as evidence in any litigation or other dispute resolution proceeding by any party or other person, and no court or other body should consider such drafts in interpreting this Amendment.

6. **Miscellaneous.** This Amendment shall bind, and shall inure to the benefit of, the successors and assigns of the parties hereto. This Amendment is made for the purpose of setting forth certain rights and obligations of Tenant and City, and no other person shall have any rights hereunder or by reason hereof as a third party beneficiary of otherwise. Each party hereto shall execute, acknowledge and deliver to each other party all documents, and shall take all actions, reasonably requested by such other party from time to time to confirm or effect the matters set forth herein, or otherwise to carry out the purposes of this Amendment. This Amendment may be executed in counterparts with the same force and effect as if the parties had executed one instrument, and each such counterpart shall constitute an original hereof. No provision of this Amendment that is held to be inoperative, unenforceable or invalid shall affect the remaining provisions, and to this end all provisions hereof are hereby declared to be severable. Time is of

the essence of this Amendment. This Amendment shall be governed by the laws of the State of California. Neither this Amendment nor any of the terms hereof may be amended or modified except by a written instrument signed by all the parties hereto.

7. **Full Force and Effect.** Except as specifically amended herein, the terms and conditions of the Lease shall remain in full force and effect.

///

///

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

**TENANT:** World Duty Free North America, LLP,  
A Delaware limited liability partnership

By: MRMD

Name: Michael R. Mullaney

Title: ELP

**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: 20-0252

**Adopted:** December 15, 2020

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

APPROVED AS TO FORM:

DENNIS J. HERRERA,  
City Attorney

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

**LEASE AGREEMENT  
FOR THE  
TERMINAL 2 NEWSSTANDS, COFFEE, AND SPECIALTY STORES  
AT SAN FRANCISCO INTERNATIONAL AIRPORT**

by and between

**HOST INTERNATIONAL, INC.,**  
as tenant

and

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

Gavin Newsom  
Mayor

**AIRPORT COMMISSION**

Hon. Larry Mazzola, President  
Hon. Linda S. Crayton, Vice President  
Hon. Caryl Ito  
Hon. Eleanor Johns  
Hon. Richard J. Guggenheim

John L. Martin  
Airport Director

July 6, 2010

Lease No. 10-0232

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**LEASE AGREEMENT  
FOR THE  
TERMINAL 2 NEWSSTANDS, COFFEE, AND SPECIALTY STORES  
AT SAN FRANCISCO INTERNATIONAL AIRPORT**

**MAJOR LEASE TERM SUMMARY**

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

**Effective Date:** DEC 17 2010, 20\_\_\_\_.

**Tenant:** Host International, Inc.,  
a Delaware company.

**Tenant's Notice  
Address:** Host International, Inc.  
6905 Rockledge Drive  
Bethesda, MD 20817  
Attn: Renee B. Tedesco, Vice President  
Fax No. (240) 694-4468  
Tel. No. (240) 694-4644.

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

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

**City's Rent  
Payment Address:** San Francisco International Airport  
Attn: Accounting  
575 McDonnell Rd, 2nd Floor  
P. O. Box 7743  
San Francisco, CA 94120.

**City's Insurance/  
Deposit Notice  
Address:** San Francisco International Airport  
Attn: Revenue Development and Management  
575 McDonnell Rd, 3<sup>rd</sup> Floor  
P. O. Box 8097  
San Francisco, CA 94128  
Fax No. (650) 821-4519  
Tel. No. (650) 821-4500.

<b>Premises:</b> (§ 1)	Space Nos. D.2.362, D.2.325, D.2.253, D.2.249, and T2.2.197, in Terminal 2 (the "Premises") at the San Francisco International Airport, comprised of approximately 4,420 square feet of retail space, as described on the attached Exhibit A.
<b>Relevant Boarding Area:</b> (§ 4.14)	Boarding Area D
<b>Term:</b> (§ 2)	Development Term, plus the Operating Term, collectively.
	<b>Development Term</b> is the period commencing on the delivery date of the first Facility delivered by City to Tenant (the "Commencement Date"), and ending at 11:59 p.m. on the day prior to the Rent Commencement Date for the <i>last</i> Facility delivered to the Tenant by City (the "Full Rent Commencement Date").
	<b>Operating Term</b> is the period commencing on the Full Rent Commencement Date, and ending at 11:59 p.m. on the day prior to the tenth (10 <sup>th</sup> ) anniversary thereof (the "Expiration Date").
<b>Commencement Date:</b> (§ 2.1)	The date on which the Airport Director gives notice to Tenant that the Premises are ready for Tenant to take possession.  <u>November 18, 2010</u> <small>(actual date to be inserted upon determination)</small>
<b>Rent for Interim Operations During Construction Period:</b> (§ 4.5)	In the event Tenant desires to operate a temporary facility during the construction period, Tenant shall pay the Airport as rent, the amount equal to the highest percent in the tiered percentage rent scale specified in the Lease.
<b>Rent Prior to Rent Commencement Date:</b>	<p>In the event Tenant completes its improvements and desires to open for business prior to Rent Commencement Date, Tenant shall pay the greater of the tiered percentage rent or a pro-rated Minimum Annual Guarantee ("MAG") based on a thirty (30) day month.</p> <p>In the event Tenant is improving more than one facility, upon completion and opening of the first location, Rent will be the greater of the tiered percentage rent or a pro-rated MAG based on the percentage of the facility's square footage against the aggregate.</p>

**Rent Commencement Date:** The earlier of: (a) the first day of the first calendar month following the date on which the Initial Improvements (as defined below) are substantially complete and Tenant opens for business therein, and (b) the first day of the first calendar month following the date that is ninety (90) days after the Commencement Date.

In the event Tenant has more than one facility, an additional thirty (30) days will be allowed for completion of each subsequent facility, up to six (6) months from the Commencement Date.

Actual Dates (to be inserted upon determination):

Commencement Date:	November 18, 2010
Development Term:	Nov 18, 2010. May 1, 2011
Full Rent Commencement Date:	May 1, 2011
Operating Term:	May 1, 2011. April 30, 2021
Expiration Date:	April 30, 2021 11:59 p.m.

<u>Facility</u>	<u>Delivery Date</u>	<u>Rent Commencement Date</u>
D.2.362		May 1, 2011
D.2.325		"
D.2.253		"
D.2.249		"
T2.2.197		"

**Expiration Date:** 11:59 p.m. on the day before the tenth (10<sup>th</sup>) anniversary of the Full Rent Commencement Date.

April 30, 2021

(actual date to be inserted upon determination)

**Reference Year:** The calendar year immediately prior to the year in which this Lease is awarded: 2009.

**Permitted Use:** The display and retail sale, on a non-exclusive basis, of the merchandise described on the attached Exhibit B.

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

- 12% of Gross Revenues (as defined below) achieved up to and including \$1,000,000, plus,
- 14% of Gross Revenues achieved from \$1,000,000.01 up to and including \$2,000,000, plus,
- 16% of Gross Revenues achieved over \$2,000,000.

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

<b>Lease Year:</b> (§ 4)	The period commencing on the Rent Commencement Date and terminating on the day before the first MAG Adjustment Date (as defined below), and each subsequent 12-month period, commencing on each MAG Adjustment Date and expiring on the day before the subsequent MAG Adjustment Date, or expiring on the Expiration Date, as the case may be.
<b>Minimum Annual Guarantee:</b> (§ 4)	One Million One Hundred Twenty Six Thousand Dollars ( <b>\$1,126,000.00</b> ) (the "Initial MAG"), per annum; Ninety Three Thousand Eight Hundred Thirty Three Dollars and 33 cents ( <b>\$93,833.33</b> ) per month, subject to adjustments upward as described below and (b) suspension and reinstatement under certain circumstances as described herein.
<b>MAG Adjustment Date:</b> (§ 4.3)	The first MAG Adjustment shall occur on January 1 <sup>st</sup> on the first full year after the Rent Commencement Date. Thereafter, every January 1 <sup>st</sup> .
<b>Rent:</b> (§ 4)	Base Rent, together with all other amounts owing by Tenant to City hereunder.
<b>Deposit Amount:</b> (§ 13)	Equal to one-half (1/2) of the then current MAG (subject to adjustment).
<b>Late Opening Charge:</b> (§ 2.3)	Five Hundred Dollars (\$500) per day.
<b>Minimum Investment Amount:</b> (§ 7.2)	Three Hundred Fifty Dollars (\$350) per square foot of the Premises, which equals <b>One Million Five Hundred Forty Seven Thousand Dollars (\$1,547,000)</b> or a lesser amount provided the Tenant complies with the Terminal 2 Concessions Design Guidelines and receive Design Review Committee approval.
<b>Tenant Infrastructure Fee</b> (§ 4.11)	Per Lease Years, <b>Ten Thousand One Hundred Twenty Two (\$10,122)</b> , calculated at <b>Two Dollars and Twenty Nine Cents (\$2.29)</b> per square foot comprising the Premises.
<b>Initial Promotional Charge</b> (§ 11)	One Dollar (\$1.00) per square foot of the Premises which equals <b>Four Thousand Four Hundred Twenty Dollars (\$4,420)</b> (subject to adjustment)
<b>Resolution:</b>	Number 10-0232, approved by the Airport Commission on July 6, 2010.
<b>Initial Tenant Representative:</b> (§ 3.11)	Renee Tedesco Tel. No. (240) 694-4468
<b>Other Agreements:</b> (§ 13.5)	Terminal 3 Newsstands and Specialty Store Lease No. 07-0100; Trash Compactor Agreement No. 3890; Nonairline Terminal Space or Use Permit No. 3715; Nonairline Terminal Space or Use Permit No. 4016; and Nonairline Terminal Space or Use Permit No. 4054.

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

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

Initial of Authorized Representative of City JW ✓

Initial of Authorized Representative of Tenant OK

**LEASE AGREEMENT  
FOR THE TERMINAL 2 NEWSSTANDS, COFFEE, AND SPECIALTY STORES  
AT SAN FRANCISCO INTERNATIONAL AIRPORT**

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

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

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

Accordingly, Tenant and City agree as follows:

**1. PREMISES**

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

1.2 Relocation, Expansion, Contraction.

(a) At any time during the Term, City may require that (i) Tenant relocate and surrender all or part of the Premises (such change to the Premises referred to as a “**Required Relocation**”), and/or (ii) the Premises be contracted or expanded (such change to the Premises referred to as a “**Premises Change**”) on the

terms set forth in this Section 1.2. City shall give notice (the “**Change Notice**”) setting forth a description of the Required Relocation or the Premises Change, as applicable, the approximate effective date thereof (the “**Target Effective Date**”), and with respect to a Required Relocation, the location of comparable on-Airport replacement premises. The Change Notice shall be given no less than six (6) months prior to the Target Effective Date.

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

(c) (i) With respect to a Premises Change where the aggregate square footage of the original Premises will be expanded or contracted by more than ten percent (10%), Tenant may terminate this Lease by giving notice thereof to City within thirty (30) days after the Change Notice is given. In the event Tenant gives such notice of termination, then this Lease shall terminate on the Target Effective Date and on such date, Tenant shall surrender the Premises in the condition required below. (ii) Provided Tenant does not terminate this Lease pursuant to the foregoing, Tenant shall cause the Premises to be expanded or contracted as described in the Change Notice on or before the date described therein. As part of City’s approval of Tenant’s plans and specifications and Tenant’s budget for its expansion/contraction work, City may specify a Maximum Reimbursement Amount. Once the expansion/contraction work is completed, and City has approved the work, Tenant must submit to City (i) a certificate from Tenant’s architect certifying that the expansion/contraction work was completed in strict compliance with the plans and specifications approved by City, (ii) copies of paid invoices showing the costs actually paid by Tenant for the remodeling and Tenant’s out-of-pocket moving costs, and (iii) lien releases from all contractors, subcontractors, and materialmen entitled to payment in connection with the expansion/contraction work. Following its review and approval of those submissions, City will reimburse Tenant for all reasonable costs of the expansion/contraction work; provided that in no event will City be required to reimburse Tenant for more than the Maximum Reimbursement Amount and further provided that City may, in City’s sole discretion, make such reimbursement by issuing Tenant a rent credit. In no event will City be obligated to pay or reimburse Tenant for any other costs or expenses, including business interruption costs.

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

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

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

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

1.3 Remeasurement of Premises. At any time and from time to time, Director may cause City to conduct a space audit pursuant to which City remeasures the Premises using the Airport's then-current measurement specifications, and in such event, the Lease terms based on square footage shall be deemed automatically adjusted to reflect such remeasurement.

1.4 Changes to Airport. Tenant acknowledges and agrees that (a) City shall have the right at all times to change, alter, expand, and contract the Airport, including the Terminal Building Complex; (b) City has made no representations, warranties, or covenants to Tenant regarding the design, construction, pedestrian traffic, enplanements, airline locations, or views of the Airport or the Premises. Without limiting the generality of the foregoing, Tenant acknowledges and agrees that the Airport (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 Tenant's business. Although City will use reasonable efforts to minimize the effect of such changes on Tenant's business, Tenant acknowledges that such activity may have some effect on retail operations located at the Airport. Such construction and renovation programs might involve barricading, materials storage, noise, the presence of workers and equipment, rearrangement, utility interruptions, and other inconveniences normally associated with construction and renovation. Although City will use reasonable efforts to minimize the effect of such changes on Tenant's business, Tenant acknowledges that such activity may have some effect on retail operations located at the Airport, and Tenant shall not be entitled to any rent credit or other compensation therefor. At any time and from time to time, City may, without the consent of Tenant, and without affecting Tenant's obligations under this Lease, at City's sole discretion, (a) change the shape, size, location, number and extent of the improvements in any portion of the Airport, including without limitation the concourses, piers, boarding areas, retail areas and security areas located within the Terminal Building, (b) build additional stories above or below the Airport buildings, including of the Terminal Building, (c) eliminate or relocate public entrances to the Premises so long as there is at all times one public entrance to the Premises, (d) construct multi-level, elevated or subterranean parking facilities, and (e) expand or contract the Airport, including redefining the Airport boundaries so as to include additional lands within the Airport or exclude lands from the Airport or both. Without limiting waivers set forth elsewhere in this Lease, Tenant hereby waives all claims against City and releases City from all Losses (as defined below) that Tenant suffers or incurs arising out of or in connection with any changes to the Airport or any portion of the Airport and Tenant further agrees that Tenant will not be entitled to any rent abatement or any other rent relief in connection with any changes to the Airport or any portion of the Airport.

1.5 Common Areas. The term "**common areas**" means all areas and facilities located within the Airport that are designated by City from time to time for the general use and convenience of the tenants of the Airport and other occupants of the airport, and airline passengers and other visitors to the Airport such as concourses, sidewalks, elevators, escalators, moving walkways, parking areas and facilities, restrooms, pedestrian entrances, driveways, loading zones and roadways. City may, in its sole discretion, and without any liability to Tenant (a) change the common areas, (b) increases or decreases the common areas (including the conversion of common areas to leaseable areas and the conversion of leasable areas to common areas), and (c) impose parking charges. City will, in its sole discretion, maintain the common areas, establish and enforce Airport Rules

concerning the common areas, close temporarily portions of the common areas for maintenance purposes, and make changes to the common areas including changes in the location of security check points, driveways, entrances, exits, parking spaces, parking areas, and the direction of the flow of traffic. City reserves the right to make additional Airport Rules affecting the Airport throughout the Term, including the requirement that Tenant participate in a parking validation program.

## 2. TERM

2.1 Commencement and Expiration. The Term shall commence on the Rent Commencement Date and expire on the Expiration Date, unless terminated prior thereto as provided herein. If for any reason City cannot deliver possession of the Premises to Tenant on the Commencement Date, this Lease shall remain in effect, City shall not be subject to any liability, and such failure shall not extend the Term hereof. In such event, and provided such delay is not caused by the act or omission of Tenant, or Tenant's principal, affiliate, contractor, employee, agent, licensee or invitee (a "**Tenant Entity**"), the Rent Commencement Date shall be extended day for day to reflect such delay. If for any reason City is unable to deliver possession of the Premises to Tenant on the date that is one hundred eighty (180) days after the Commencement Date, each of City and Tenant shall have the right to terminate this Lease by notice to the other. After the Rent Commencement Date has occurred, upon Director's request, Tenant will execute a written acknowledgment of the Commencement Date and the Rent Commencement Date. In the event Tenant fails to execute and return promptly such acknowledgment to City, the dates described therein shall be deemed conclusive.

2.2 Phased Delivery and Required Opening. City may deliver the Facilities to Tenant in phases, with one or more Facilities delivered to Tenant at different times. Tenant shall have no right to use or occupy any Facility until the Facility is so delivered. As to each Facility, on the Delivery Date, Tenant shall (i) take possession of such Facility, (ii) cause Tenant's Work (as defined below) to be substantially completed at Tenant's sole cost, and (iii) cause the Facility to be open for business within ninety (90) days. As used herein, the term "**Tenant's Work**" shall mean all improvements, alterations, fixture, equipment, and signage installation, and furniture placement necessary or appropriate for the conduct of the Permitted Use, including all work described as Tenant's Work on **Exhibit D**, attached (the "**Work Letter**").

2.3 Late Opening Charge. In the event Tenant fails to open a Facility for business on or before the Rent Commencement Date applicable to such Facility, City will incur substantial damages, the exact amount of which are extremely difficult to fix. Accordingly, for each day after the Rent Commencement Date until the day on which Tenant opens the Facility for business, Tenant shall pay to City Five Hundred Dollars (\$500) (in addition to Rent as provided below), as liquidated damages. The parties have agreed that this amount represents a reasonable approximation of the damages likely to be suffered by City in the event Tenant shall fail to open on or before the Rent Commencement Date. In the event the Facility is not open for business on the date that is sixty (60) days after the Rent Commencement Date, City shall have the option to terminate this Lease, or to remove the applicable Facility from the Lease, exercisable by notice to Tenant. In the event the applicable Facility is removed from the Lease, any Rent components based on square footage shall be reduced accordingly. Tenant shall be liable for all damages associated with such termination or removal, including City's releasing costs.

2.4 Delivery Delay by City. If for any reason City cannot deliver possession of a Facility to Tenant on the Commencement Date, this Lease shall remain in effect, City shall not be subject to any liability, and such failure shall not extend the Term hereof. In such event, and provided such delay is not caused by the act or omission of Tenant, or Tenant's principal, affiliate, contractor, employee, agent, licensee or invitee (a "**Tenant Entity**"), the Rent Commencement Date applicable to such Facility shall be extended day for day to reflect such delay. If for any reason City is unable to deliver possession of the Premises to Tenant on the date that is one (1) year after the Commencement Date, each of City and Tenant shall have the right to terminate this Lease by notice to the other.

2.5 [INTENTIONALLY DELETED.]

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

### 3. USE AND OPERATION

3.1 Permitted Use. Tenant shall use the Premises for the Permitted Use and for no other purpose. Tenant shall, at all times, operate the Premises in strict conformance with the Permitted Use attached as Exhibit B herein. In the event Tenant desires to use the Premises for any purpose other than the Permitted Use (including selling an item or service outside the scope of the Permitted Use). Tenant must submit a request to Director. Director may, in his/her sole and absolute discretion approve or deny such request. Any such decision shall be binding on Tenant. Without limiting the generality of this Section 3.1 or any of the requirements set forth on Exhibit B, Tenant shall not operate any Facility under any name or brand, other than a name or brand specifically permitted or required herein, or as otherwise approved by Director. Without limiting Section 5 [Assignment or Subletting], Tenant shall not, without the prior consent of Director, engage a third-party operator or conduct the Permitted Use or otherwise operate on the Premises.

3.2 No Exclusivity. Tenant acknowledges and agrees that Tenant has no exclusive rights to conduct the business of the Permitted Use and that City may arrange with others for similar activities at the Airport.

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

3.4 Support Space. Tenant shall use no more than fifteen (15%) of its Facility for support spaces such use as administrative, storage, preparation area, etc. For multiple locations, Tenant may not use more than fifteen (15%) of each space for such uses.

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

3.6 Prices. Tenant's prices for the merchandise comprising the Permitted Use shall be the same or comparable to prices found in Tenant's catalog, if any, and at Tenant's other retail shops, or in a local retail shop determined by Director to be comparable. Tenant will be required to submit, on an annual basis or upon request,

a pricing survey of items comprising the Permitted Use showing the same or comparable to prices found in Tenant's off-Airport locations, if any, or comparable retail locations within the Bay Area, or as determined by Director to be comparable. The pricing survey shall contain a cross sampling of product categories chosen by the Director, and a minimum of fifty (50) items designated by the Director to be relevant and comparable within the product categories. Should any variance in prices on specific items be deemed too great, the Director will have the right to require a price adjustment on the specified items.

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

3.8 Other Operational Requirements.

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

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

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

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

3.9 Prohibited Activities. Without limiting any other provision herein, Tenant shall not, without the prior written consent of Director: (a) use or permit the use of the Premises for the conduct in or on the Premises as an outlet store or a second-hand store; (b) advertise any distress, fire, bankruptcy, liquidation, relocation, closing, or going-out-of-business sales; (c) use or permit the use on the Premises of any pinball machines, videogames, or other devices or equipment for amusement or recreation, or any vending machines, newspaper racks, pay telephones, or other coin, token, or credit card-operated devices; (d) cause or permit anything to be done, in or about the Premises, or bring or keep anything thereon which might (i) increase in any way the rate of

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

3.10 Audit of Operations. At any time and from time to time, City may conduct an audit of Tenant's operations at the Airport (in addition to City's right to audit pursuant to Section 4.7 [Books and Records; Audit Rights] hereof) to confirm that such operations comply with the requirements set forth herein. Tenant shall cooperate with such audit. In the event such audit shows that Tenant is not complying with such requirements, without limiting City's ability to call a default hereunder, City may require that Tenant reimburse City for the costs of such audit. Tenant shall promptly remedy any noncompliance shown in any such audit.

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

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

3.13 Compliance with Laws. Tenant shall promptly, at its sole expense, cause the Premises (including any permitted Alterations (as defined below)), and Tenant's and any Tenant Entity's use of the Premises and operations therein, to comply at all times with all Laws (as defined below). Notwithstanding the foregoing, this Section 3.13 shall not impose on Tenant any liability to make any structural alterations to the Terminal's roof, foundation, bearing and exterior walls and subflooring; or heating, ventilating, air conditioning, plumbing, electrical, fire protection, life safety, security and other mechanical, electrical and communications systems of the Terminal (collectively "**Building Systems**"), except to the extent the same is (x) installed by Tenant or Tenant Entity, or (y) necessitated by Tenant's Alterations or by any act or omission of Tenant or any Tenant Entity. As used herein, the term "**Laws**" shall mean all present and future laws, ordinances, rules, judgments, decrees, injunctions, regulations, permits, authorizations, orders and requirements, to the extent applicable to Tenant or the Premises or any portion of any of them whether or not in the contemplation of the parties, including, without limitation, all consents or approvals required to be obtained from, and all rules and regulations of, and all building and zoning laws of, all federal, state, county and municipal governments, the departments, bureaus, agencies or commissions thereof, authorities, board of officers, any national or local board of fire underwriters, or any other body or bodies exercising similar functions, having or acquiring jurisdiction of the Site or any portion thereof, including the Occupational Safety and Health Act and all other applicable laws relating to workplace safety or toxic materials, substances or wastes, Title XV (commencing with Section 3082) of the California Civil Code relating to works of improvement and all other applicable laws relating to construction projects, the provisions of the American with Disabilities Act, 42 U.S.C. Section 12101 et. seq. and any governmental regulations with respect thereto (the "**ADA**") (including, without limitation, the requirements under the ADA for the purposes of

“public accommodations”, as that term is used in the ADA), Title 24 of the California Administrative Code, all Environmental Laws, the Airport Rules, the Tenant Improvement Guide (including any design criteria) as the same may be amended from time to time (the “**TI Guide**”), and the requirements referenced in Section 19 [City and Other Governmental Provisions] hereof.

## 4. RENT

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

(a) “**Gross Revenues**” means:

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

The following shall not be included in Gross Revenues:

- (i) Any exchange of merchandise between facilities of Tenant where such exchange is made solely for the convenient operation of Tenant’s business and not for the purpose of consummating a sale made in, at or from the demised premises, or for the purpose of depriving City of the benefit of sales which would otherwise be made in or at the Premises;
- (ii) Returns to the shippers or manufacturers;
- (iii) Cash or credit refunds to customers on transactions (not to exceed the actual selling price of the item returned) otherwise included in Gross Revenues;
- (iv) Discount sales to employees, to the extent of the discount.

(b) “**Consumer Price Index**” means that index published by the United States Department of Labor, Bureau of Labor Statistics known as “All Urban Consumers-San Francisco-Oakland-San Jose, California.” 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.

(c) “**MAG Adjustment Date**” has the meaning given it in the Summary.

(d) "Base Index" means the most recent Consumer Price Index published immediately prior to the Commencement Date.

(e) **“Comparison Index”** means the most recent Consumer Price Index available at the time of MAG Adjustment review.

(f) "Enplanements" means the total number of passengers boarding airline carriers.

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

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

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

(c) During the Development Term (as defined in the Summary), for purposes of determining Base Rent, the MAG shall be prorated (based on the square footage of those Facilities open or required to be open), and compared to the aggregate Gross Revenues achieved from those Facilities. From and after the Full Rent Commencement Date, the MAG shall no longer be prorated.

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

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

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

4.3 Adjustments to Minimum Annual Guarantee. On each MAG Adjustment Date, the Minimum Annual Guarantee will be adjusted if the Comparison Index exceeds the Base Index. The Minimum Annual Guarantee with respect to the Upcoming Lease Year shall then be increased to equal the following amount:

Notwithstanding anything to the contrary herein, in no event will the Minimum Annual Guarantee for any Lease Year of the Term be lower than the Minimum Annual Guarantee with respect to the prior Lease Year. The first MAG adjustment Date shall occur on January 1<sup>st</sup> after the first full year following the Rent Commencement Date. For example: If the Rent Commencement Date occurs on March 1, 2010, the first MAG Adjustment Date shall occur on January 1, 2012. Subsequent MAG adjustments shall occur every January 1<sup>st</sup> of each year thereafter.

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

4.5 Rent During Construction. In the event Tenant elects to operate a temporary facility during the construction period, Tenant shall pay, as rent to the Airport, **Twenty Percent (20%)** of gross revenues achieved from its temporary operation. On or before the twentieth (20<sup>th</sup>) of each calendar month, Tenant shall submit with its payment to the Airport, accompanied by a Sales Report showing all Gross Revenues achieved with respect to the prior calendar month for which payment is made.

In the event Tenant is improving more than one location, upon completion and opening of the first location, rent will be the greater of the tiered percentage or a pro-rated MAG based on the percentage of the facility's square footage against the aggregate.

(a) Example. If the aggregate square footage of the premises equals 1,000 square feet, and the newly constructed facility equals 500 square feet, the pro-rated MAG will be fifty percent (50%) of the total MAG, since 500 square feet is fifty percent of the aggregate square footage of 1,000 square feet.

(b) If the pro-rated MAG amount is less than the percentage tiered rent however, then the percentage rent amount will supersede the pro-rated MAG.

(c) Rent payments will be subject to the same terms under Section 4.2 of this Lease.

4.6 Sales Reports. On or before the twentieth (20th) day of each calendar month after the First Month, Tenant shall submit to City a report (the "**Sales Report**") showing all Gross Revenues achieved with respect to the prior month by location, segregated by each source or general type of article sold or service rendered. Such report shall be certified as being true and correct by Tenant and shall otherwise be in form and substance satisfactory to Director. As described below, City shall have the right, in addition to all other rights herein, to impose a fine in the event Tenant shall fail to submit such Sales Report timely.

4.7 Annual Certification of Sales and Adjustment. Within ninety (90) days after the end of each Lease Year, Tenant shall submit to Director an unqualified year-end financial report certified by a Certified Public Accountant showing Gross Revenues achieved with respect to the prior Lease Year. If such report shows that the

total Base Rent actually paid by Tenant with respect the prior Lease Year was less than the Base Rent payable with respect to such year, then Tenant shall immediately pay to City such deficiency. If such report shows that the total Base Rent actually paid by Tenant with respect to such prior Lease Year exceeded the Base Rent payable with respect to such year, then such excess shall be applied as a rent credit to amounts next coming due. Notwithstanding anything to the contrary herein, in no event will the Base Rent payable to City be less than the Minimum Annual Guarantee. In addition, Tenant shall submit to City such other financial or other reports as Director may reasonably require.

4.8 Cash Register Requirements. Tenant shall install in the Premises at least one cash register. Such cash register and any other cash register used on the Premises shall be of a type approved by Director in writing and shall register every transaction made in, on, about or from the Premises, including every type of Gross Revenue, and the tape or digital record of each said cash register shall be accessible to and subject to inspection by Director or his/her agent. All cash receipts must include Tenant's identification thereon. Each sale or other transaction in the Premises must be recorded at the time of each sale or other transaction, in the presence of the customer, all receipts from such sale or other transaction, whether for cash, credit or otherwise, in a cash register or cash registers (including computerized cash registers or other similar electronic devices) serviced by an established agency approved by Director. Mechanical cash register(s) must have a non-resettable cumulative total, a detail audit tape, a transaction number with a four-digit capacity, an indicator readily visible to customers as the amount rung, and a seven-digit cumulative capacity or greater, as determined by Director based on the type of business, with a four-digit overrun counter. At Director's request, Tenant must furnish to City a statement from an established agency that the transaction number, the cumulative total and the overrun counter have been sealed in a manner approved by Director. If computerized cash registers or other similar electronic devices are used, that system must accurately record all sales at the Premises and be no more subject to tampering than mechanical cash register(s). Any cash register totals should be stored locally and centrally to ensure that daily totals are not lost or compromised in the event of POS device failure. Upon the installation or removal of any cash register (including computerized cash registers or other similar electronic devices) used in the Premises, Tenant must immediately furnish to Director notice, in writing, stating make and model number (including computerized cash registers or other similar electronic devices). Any repair agency employed to repair or replace any cash register (including computerized cash registers or other similar electronic devices if used) in the Premises is hereby authorized to disclose and furnish to City or its auditors any information obtained by the agency in the course of making such repair or replacement pertaining to said cash register (including computerized cash registers or other similar electronic devices if used). Each customer must be issued a receipt or sales slip for each transaction, which transaction must be recorded either on serially numbered sales slips or electronic logs stored within the system. City shall have the right during business hours to examine the totals of the cash register(s) (including computerized cash registers or other similar electronic devices if used) used in the Premises and to inspect for compliance with this section. City shall have the option to approve the Tenant's cash register system and audit said POS system for accuracy upon reasonable notice.

4.9 Books and Records; Audit Rights.

(a) Tenant shall maintain for a period of five (5) years after the Expiration Date, or, in the event of a claim by City, until such claim of City for payments hereunder shall have been fully ascertained, fixed and paid, separate and accurate daily records of Gross Revenues, whether for cash, credit, or otherwise. Tenant must require each subtenant, concessionaire, licensee, and assignee to maintain the same records. All such books and records shall be kept in accordance with "generally accepted accounting principles", consistently applied, showing in detail all business done or transacted in, on, about or from or pertaining to the Premises, and Tenant shall enter all receipts arising from such business in regular books of account, and all entries in any such records or books shall be made at or about the time the transactions respectively occur. The books and source documents to be kept by Tenant must include records of inventories and receipts of merchandise, daily receipts from all sales and other pertinent original sales records and records of any other transactions conducted in or from the Premises by all persons or entities conducting business in or from the Premises. Pertinent original sales records include: (i)

cash register tapes, including tapes from temporary registers, (ii) serially pre-numbered sales slips, (iii) the original records of all mail and telephone orders at and to the Premises, (iv) settlement report sheets of transactions with subtenants, concessionaires, licensees and assignees, (v) original records indicating that merchandise returned by customers was purchased at the Premises by such customers, (vi) memorandum receipts or other records of merchandise taken out on approval, (vii) detailed original records or any exclusions or deductions from Gross Revenues, (viii) sales tax records, and (ix) all other sales records, if any, that would normally be examined by an independent accountant pursuant to generally accepted auditing standards in performing an audit of Gross Revenues. Tenant must keep the required books, source documents and records of Gross Revenues available for inspection by City and its agents and employees at the Premises or at another location within the continental United States at all times during regular business hours. In addition, Tenant shall maintain monthly and annual reports of Gross Revenues derived from its operation under this Lease, using a form and method as is directed by Director. Such forms and methods shall be employed by Tenant throughout the term of this Lease. Upon Director's written request, Tenant shall make available immediately to City and/or its auditors any and all books, records and accounts pertaining to its operations under this Lease. The intent and purpose of the provisions of this section are that Tenant shall keep and maintain records which will enable City and City's Controller to ascertain, determine and audit, if so desired by City, clearly and accurately, Gross Revenues achieved, and the adequacy of the form and method of Tenant's reporting thereof.

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

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

4.11 Tenant Infrastructure Fee. Tenant shall pay to City the Tenant Infrastructure Fee in monthly installments, in advance, each of which shall be due on the first day of each month.

4.12 [INTENTIONALLY DELETED.]

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

4.14 Prepay Rent. Notwithstanding anything to the contrary herein, in the event Tenant shall fail to pay any Rent when due hereunder, Director shall have the right to require Tenant to pay estimated monthly Rent (including Base Rent, utility charges, and all other amounts) one (1) month in advance of when such payment would otherwise be due. Such prepayment would be based on the highest monthly Rent previously due from

Tenant. Such right shall be exercised by a notice from Director to Tenant, which notice may be given any time after such default by Tenant, regardless of whether the same is cured by Tenant.

4.15 Nature of Lease. Under no circumstances will City be expected or required to make any payment of any kind with respect to Tenant's use or occupancy of the Premises, except as may be otherwise expressly set forth herein. Except as may be specifically and expressly provided otherwise in this Lease, no occurrence or situation arising during the Term, nor any present or future Law, whether foreseen or unforeseen, shall relieve Tenant from its liability to pay all of the sums required by this Lease, or relieve Tenant from any of its other obligations under this Lease, or give Tenant the right to terminate this Lease in whole or in part. Tenant waives any rights now or hereafter conferred upon it by any existing or future Law to terminate this Lease or to receive any abatement, diminution, reduction, or suspension of payment of such sums, on account of such occurrence or situation. Except as otherwise expressly provided herein, this Lease shall continue in full force and effect, and the obligations of Tenant hereunder shall not be released, discharged or otherwise affected, by reason of: (a) any damage to or destruction of the Premises or any portion thereof or any improvements thereon, or any taking thereof in eminent domain; (b) any restriction or prevention of or interference with any use of the Premises or the improvements or any part thereof; (c) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other proceeding relating to City, Tenant or any constituent partner of Tenant or any sublessee, licensee or concessionaire or any action taken with respect to this Lease by a trustee or receiver, or by any court, in any proceeding; (d) any claim that Tenant or any other person has or might have against City; (e) any failure on the part of City to perform or comply with any of the terms hereof or of any other agreement with Tenant or any other person; (f) any failure on the part of any sublessee, licensee, concessionaire, or other person to perform or comply with any of the terms of any sublease or other agreement between Tenant and any such person; (g) any termination of any sublease, license or concession, whether voluntary or by operation of law; or (h) any other occurrence whatsoever, whether similar or dissimilar to the foregoing in each case whether or not Tenant shall have notice or knowledge of any of the foregoing. The obligations of Tenant hereunder shall be separate and independent covenants and agreements. Tenant hereby waives to the full extent permitted by applicable law, all rights now or hereafter conferred by statute, including without limitation the provisions of Civil Code Sections 1932 and 1933, to quit, terminate or surrender this Lease or the Premises or any part thereof, or to any abatement, suspension, deferment, diminution or reduction of any rent hereunder.

4.16 Severe Decline in Enplanements.

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

- (i) **“Relevant Boarding Area”** shall have the meaning given it in the Summary.
- (ii) **“Enplanements”** shall mean the total number of passengers boarding airline carriers. For purposes of this Section 4.14, all Enplanement comparisons shall be done by Relevant Boarding Area.
- (iii) **“Reference Month(s)”** shall mean the corresponding month in the Reference Year.
- (iv) **“Reference Year”** shall have the meaning given it in the Summary.
- (v) **“Percentage Rent”** shall have the meaning given it in the Summary.
- (vi) **“Severe Decline in Enplanements for Three Months”** shall mean that the actual Enplanements achieved during a one month period is less than 80% of the

actual Enplanements of the same Reference Month in the Reference Year, and such shortfall continues for three (3) consecutive months.

(vii) **“Enplanement Stabilization for Two Months”** means that actual Enplanements for a particular month equals or exceeds 80% of the actual Enplanements of the same Reference Month in the Reference Year, and such threshold is achieved for two (2) consecutive months.

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

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

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

- (i) Such MAG reinstatement will be effective on the first day of the month following an Enplanement Stabilization for Two Months.
- (ii) In the event the MAG is reinstated after the commencement of a “Lease Year” or other period of time for annual gross revenue accumulation specified in the Lease, the MAG will be pro-rated accordingly.

(d) **Determination of Enplanements and “True-Ups”**. The parties acknowledge that Enplanements for a particular month are not usually determined as of the first day of the following month. Accordingly, unless and until the MAG is suspended as provided herein, Tenant shall continue to pay the MAG as and when required hereunder. If and when a MAG is later suspended pursuant to Section 4.12(b), then City shall issue a rent credit to reflect any resulting overpayment in rent. If and to the extent Tenant has any outstanding obligations to City hereunder, City may decline to issue such rent credit or reduce the rent credit by the amount outstanding. If and when the MAG is reinstated, Tenant shall pay to City within five (5) days after City shall have given notice to Tenant of such reinstatement, the deficiency, if any, between the Percentage Rent paid by the Tenant and the MAG, for the month(s) following such reinstatement.

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

(f) No Effect. The MAG suspension shall have no effect on (i) any adjustments specified in this Lease to be made to the MAG, including those based on increases in the Consumer Price Index; or (ii) the Deposit Amount.

(g) Effect of Default. Notwithstanding anything to the contrary herein, in the event Tenant shall default under this Lease or any Other Agreement, the Airport Director may immediately reinstate the MAG, without giving to Tenant the benefit of any notice or right to cure as may otherwise be provided under this Lease or Other Agreement.

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

(i) Example. The following is intended merely to provide an example of the mechanics of the foregoing provisions, and the numbers provided are not intended to be projections or guarantees. Assume (a) the Premises are in Boarding Area F, (b) the Lease is awarded on February 15, 2003, and (c) Reference Year Enplanements for Boarding Area F, by Reference Month in the Reference Year (January 1- December 31, 2002) are:

	Jan 2002	Feb 2002	Mar 2002	Apr 2002	May 2002	Jun 2002	Jul 2002	Aug 2002	Sep 2002	Oct 2002	Nov 2002	Dec 2002
Enp ('000)	800	800	800	900	1,100	1,200	1,300	1,200	1,100	900	800	900

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

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

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

## 5. ASSIGNMENT OR SUBLETTING

5.1 No Assignment. Tenant shall not assign, sublet, encumber, or otherwise transfer, whether voluntary or involuntary or by operation of law, the Premises or any part thereof, or any interest herein, without City's prior written consent, which consent may be granted or denied in City's sole and absolute discretion (the

term “**Transfer**” shall mean any such assignment, subletting, encumbrance, or transfer). City’s consent to one Transfer shall not be deemed a consent to subsequent Transfers. Notwithstanding or limiting the forgoing, the City will allow a Tenant, including an individual or entity with any level of ownership in an Airport tenancy, to hold a maximum of ten (10) retail or food and beverage, or a combination therein, leases at the Airport at any given time. This policy does not include subleases. Any Transfer made without City’s consent shall constitute a default hereunder and shall be voidable at City’s election.

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

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

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

5.5 Excess Rent. City shall receive fifty percent (50%) of all Excess Rent payable in connection with any Transfer. “**Excess Rent**” means the excess of (a) all consideration received by Tenant from a Transfer over

(b) Rent payable under this Lease after deducting reasonable tenant improvements paid for by Tenant, reasonable attorneys' fees and any other reasonable out-of-pocket costs paid by Tenant as a result of the Transfer (but specifically excluding any Rent paid to Landlord while the Premises is vacant).

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

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

## 6. TAXES, ASSESSMENTS AND LIENS

### 6.1 Taxes.

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

(b) Tenant shall report any Transfer, or any renewal or extension hereof, to the County of San Mateo Assessor within sixty (60) days after such Transfer transaction, or renewal or extension. Tenant further agrees to provide such other information as may be requested by the City to enable the City to comply with any reporting requirements under applicable law with respect to possessory interests.

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

## 7. INVESTMENTS; ALTERATIONS

7.1 City's Construction Obligations. City shall perform on the Premises those construction obligations described as "City's Work" on the Work Letter, if any. Aside from any construction obligations described as "City's Work" in the Work Letter, if any, City shall have no obligation to perform any construction work or improvements to prepare the Premises for Tenant's Work.

7.2 Tenant's Work; Minimum Investment. Prior to the Rent Commencement Date, Tenant shall, refurbish, redecorate and modernize the interiors and exteriors of the Premises, and otherwise complete the Initial Improvements, at a minimum cost of the Minimum Investment Amount. Within ninety (90) days after substantial completion of Tenant's Work, Tenant must provide to City an affidavit, signed by Tenant *and* any of the following Tenant's general contractor, architect or construction manager, under penalty of perjury, stating the hard construction costs paid by Tenant to complete Tenant's Work, together with copies of paid invoices and lien waivers substantiating the costs stated in the affidavit. Such "hard construction costs," which must equal or exceed the Minimum Investment Amount, may include architectural and engineering fees, provided the credit for such costs against the Minimum Investment Amount shall not exceed fifteen percent (15%) of the Minimum Investment Amount. The minimum investment may not include financial costs, interest, inventory, pre-opening expenses, inter-company charges related to construction, business interruption, overhead, or debt service on any construction loan, or any charges paid by Tenant to an affiliate. If the said actual investment cost is less than the Minimum Investment Amount, the deficiency will be paid to City within sixty (60) days after completion of construction. If Director disputes the amount of investment claimed by Tenant, Director may, at City's expense, hire an independent appraiser to determine the cost of the investment. If the independent appraiser determines that the investment is less than the Minimum Investment Amount, the deficiency, as well as City's costs of hiring such independent appraiser, will be paid to City by Tenant within sixty (60) days after the appraiser's determination. At any time, upon three (3) business days notice, City or its representatives may audit all of Tenant's books, records and source documents related to the hard construction costs paid by Tenant to complete Tenant's Work. If the audit reveals that the hard construction costs paid by Tenant were less than those stated in Tenant's affidavit, then Tenant must pay City for the costs incurred by City in connection with the audit plus any additional deficiency discovered between the hard construction costs paid by Tenant and the Minimum Investment Amount.

7.3 City's Approval Rights. Tenant shall not make or suffer to be made any alterations, additions, or improvements to the Premises or any part thereof or attach any fixtures or equipment thereto, including the Initial Improvements (collectively, "**Alterations**") without City's prior written consent. Without limiting the generality of the foregoing, the initial layout and design of all Alterations shall conform to Commission's established architectural design scheme for the Terminal Building Complex and the provisions of Airport's TI Guide. Prior to the construction of any Alterations (including the Initial Improvements), Tenant shall submit detailed plans and specifications to the Airport's Design Review Committee for approval. Tenant shall include with its plans and specifications schematic renderings of the public retail area, materials, a color board(s) and a detailed layout of the overall merchandising plan. All decisions by the Airport's Design Review Committee shall be made subject to the approval of the Airport Commission. City's approval rights will extend to and include architectural and aesthetic matters and City reserves the right to reject any designs submitted and to require Tenant to resubmit designs and layout proposals until they meet City's approval. The Rent Commencement Date shall not be extended if City elects to reject any designs or layout proposals submitted. In the event of disapproval by City of any portion of the plans and specifications, Tenant will promptly submit necessary modifications and revisions thereof. No changes or alterations will be made in said plans or specifications after approval by City. City agrees to act within a reasonable period of time upon such plans and specifications and upon requests for approval of changes or alterations in said plans or specifications. One copy of plans for all improvements or subsequent changes therein or alterations thereof will, within fifteen (15) days after approval thereof by City, be signed by Tenant and deposited with City as an official record thereof. All Alterations shall be effected through the use of contractors approved by City who shall furnish to City upon demand such completion bonds and labor and material bonds as City may require so as to assure completion of the Alterations on a lien-free basis. Without limiting the requirements set forth above, Tenant acknowledges and agrees that Tenant may be required to obtain approvals for any desired Alterations from the Airport's Quality Control Department.

7.4 Structures and Fixtures. Tenant shall, at its sole cost and expense, design, erect, construct and install all fixtures, furnishings, carpeting, decorations, finishings, equipment, counters, or other necessary Alterations for its operation under this Lease. All construction shall be in conformity with the latest edition of the

Airport TI Guide, and in conformity with the approved plans and specifications submitted by Tenant, and shall meet all applicable local building codes and ordinances as well as all other Laws. Tenant shall submit complete plans and specifications to Director, and prior to the commencing any construction work, obtain Director's written approval of said plans and specifications. Tenant shall make no change or alteration in the plans and specifications without prior written approval of Director. In the event that Tenant fails to submit plans and specifications which meet the approval of City within thirty (30) days after the Effective Date, City may terminate this Lease. Nothing herein contained shall be construed to delay or otherwise affect the Commencement Date or the Rent Commencement Date.

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

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

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

**7.8     Midterm Refurbishment**

(a)     Tenant shall refurbish, redecorate and modernize the interior and exterior of the public retail area of the Premises after the fifth (5<sup>th</sup>) anniversary of the Full Rent Commencement Date (the "**Mid-Term Refurbishment Date**"). On or before the date that is thirty (30) days before the Mid-Term Refurbishment Date, Tenant shall give notice to Director of its intended plan with respect to such mid-term refurbishment requirements. All such mid-term refurbishments will be subject to the requirements of this Lease, including Director's approval rights under this Section 7. Tenant shall complete all such refurbishments on or before the date that is six (6) months after the Mid-Term Refurbishment Date.

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

(c)     Upon completion of the mid-term refurbishment, Tenant shall provide City with documentation of expenses as specified in Section 7.1 [Minimum Investment] for mid-term refurbishment investment.

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

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

(b) Tenant shall use, and Tenant shall require its contractor and subcontractors to use, their respective best efforts to prevent work stoppages on the Premises, and/or elsewhere on the Airport, to the extent attributable to work being performed on the Premises, irrespective of the reason of any such stoppage. In the event that the conduct or presence of any employee(s) of Tenant or Tenant's contractor(s) or subcontractor(s) causes a labor dispute or work stoppage, Tenant shall have such employee(s) immediately removed from the Airport upon Director's request.

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

#### Harmony Clause

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

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

## 8. UTILITIES

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

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

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

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

## 9. MAINTENANCE AND REPAIR

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

9.2 Tenant’s Maintenance Obligations. Tenant, at all times during the Term and at Tenant’s sole cost and expense, shall keep the Premises and every part thereof in good condition and repair, and in compliance with applicable Laws, including the replacement of any facility of City used by Tenant which requires replacement by reason of Tenant’s use thereof, excepting (a) ordinary wear and tear, and (b) damage due to casualty with respect to which the provisions of Section 14 [Damage or Destruction] shall apply. Tenant hereby waives all right to make repairs at the expense of City or in lieu thereof to vacate the Premises as provided by California Civil Code Section 1941 and 1942 or any other law, statute or ordinance now or hereafter in effect. In addition, if it becomes reasonably necessary during the term of this Lease, as determined by Director, Tenant will, at its own expense, redecorate and paint fixtures and the interior of the Premises and improvements, and replace fixtures, worn carpeting, curtains, blinds, drapes, or other furnishings. Without limiting the generality of the foregoing, at all times, Tenant shall be solely liable for the facade of the Premises separating the Premises from the Terminal common areas, including the external face thereof, all windows and display areas therein, and all finishes thereon. As provided below in Section 15.4 [City’s Right to Perform], in the event Tenant fails to perform its maintenance and repair obligations hereunder, City shall have the right to do so, at Tenant’s expense. The parties acknowledge and agree that Tenant’s obligations under this Section are a material part of the bargained-for consideration under this Lease. Tenant’s compliance obligations shall include, without limitation, the obligation to make substantial

or structural repairs and alterations to the Premises (including the Initial Improvements), regardless of, among other factors, the relationship of the cost of curative action to the Rent under this Lease, the length of the then remaining Term hereof, the relative benefit of the repairs to Tenant or City, the degree to which curative action may interfere with Tenant's use or enjoyment of the Premises, the likelihood that the parties contemplated the particular requirement involved, or the relationship between the requirement involved and Tenant's particular use of the Premises. No occurrence or situation arising during the Term, nor any present or future requirement, whether foreseen or unforeseen, and however extraordinary, shall relieve Tenant of its obligations hereunder, nor give Tenant any right to terminate this Lease in whole or in part or to otherwise seek redress against City. Tenant waives any rights now or hereafter conferred upon it by any existing or future requirement to terminate this Lease, to receive any abatement, diminution, reduction or suspension of payment of Rent, or to compel City to make any repairs to comply with any such requirement, on account of any such occurrence or situation.

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

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

## 10. SIGNS AND ADVERTISING

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

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

10.3 Prohibition of Alcoholic Beverage Advertising. Tenant acknowledges and agrees that no advertising of alcoholic beverages is allowed on the Premises. For purposes of this Section, "**alcoholic**

**beverage**" shall be defined as set forth in California Business and Professions Code Section 23004, and shall not include cleaning solutions, medical supplies and other products and substances not intended for drinking. This advertising prohibition includes the placement of the name of a company producing, selling or distributing alcoholic beverages or the name of any alcoholic beverage in any promotion of any event or product. This advertising prohibition does not apply to any advertisement sponsored by a state, local, nonprofit or other entity designed to (i) communicate the health hazards of alcoholic beverages, (ii) encourage people not to drink alcohol or to stop drinking alcohol, or (iii) provide or publicize drug or alcohol treatment or rehabilitation services.

## **11. PROMOTIONAL PROGRAM**

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

11.2 Promotional Charge. At City's option, the Promotional Charge may be increased from time to time such that the new Promotional Charge will equal:

$$\text{Initial Promotional Charge} \quad \times \quad \frac{\text{Comparison Index}}{\text{Base Index.}}$$

For purposes of the foregoing adjustment, the "**Comparison Index**" shall mean the Consumer Price Index published immediately prior to the adjustment date and the "**Base Index**" shall mean the Consumer Price Index published immediately prior to the Effective Date.

## **12. WAIVER; INDEMNITY; INSURANCE**

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

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

not Losses shall be caused in part by any act, omission or negligence of City or any City Entity. The foregoing indemnity shall not extend to any Loss caused by the sole gross negligence or willful misconduct of City.

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

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

12.5 **Notice**. Without limiting the foregoing waiver and indemnity, each party hereto shall give to the other prompt and timely written notice of any Loss coming to its knowledge which in any way, directly or indirectly, contingently or otherwise, affects or might affect either, and each shall have the right to participate in the defense of the same to the extent of its own interest.

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

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

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

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

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

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

12.7 **Form of Policies**. All insurance required by Tenant hereunder shall be pursuant to policies in form and substance and issued by companies satisfactory to City and City’s City Attorney. City may, upon reasonable notice and reasonable grounds increase or change the required insurance hereunder, in which event Tenant shall obtain such required insurance. Without limiting the generality of the foregoing, all Comprehensive General Liability Insurance, and Comprehensive Automobile Liability Insurance, policies shall be endorsed to provide the following:

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

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

(c) That the insurance company shall give thirty (30) days prior written notice to City of cancellation, non-renewal or reduction in coverage or limits, delivered to City at City’s Insurance/Deposit Notice Address.

12.8 Delivery of Policies or Certificates. Within five (5) days after Director’s request, and in any event on or before the Commencement Date, Tenant shall provide to City copies of its insurance policies or certificates thereof evidencing the above insurance, at City’s Insurance/ Deposit Notice Address.

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

## 13. DEPOSIT

13.1 Form of Deposit. On or before the date specified by the Director, Tenant 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, in the form attached as Exhibit C-1, and otherwise in form satisfactory to City’s City Attorney, and issued by a surety company satisfactory to Director, or a (b) letter of credit naming City as beneficiary, in the form attached as Exhibit C-2, and otherwise in form satisfactory to City’s City Attorney, issued by a bank satisfactory to Director. Notwithstanding the foregoing, as may be provided in the Airport Commission Policy on Concession Deposits (Resolution No. 04-0153, August 3, 2004) as the same may be amended from time to time, Tenant shall be permitted to submit as the Deposit alternative forms of deposit as specified therein. Such Deposit shall be renewed annually and increased annually such that at all times, the Deposit is equal to one-half (½) the then current Minimum Annual Guarantee, all at Tenant’s cost. Such Deposit shall be kept in full force and effect during the Term to ensure the faithful performance by Tenant of all covenants, terms, and conditions of this Lease, including payment of Rent. The sum designated as the “Deposit” is and will remain the sole and separate property of City until actually repaid to Tenant (or at City’s option, the last assignee (if any) of Tenant’s interest hereunder), said sum not being earned by Tenant until all provisions precedent for its payment to Tenant have been fulfilled. For Deposits in the form of a bond or letter of credit, Tenant shall cause the surety company or bank issuing such bond or letter of credit to give Director notice in writing by registered mail at least forty-five (45) days prior to the expiration date of such bond or letter of credit of its intention not to renew said bond or letter of credit.

13.2 Maintenance of Deposit. Tenant shall cause the Deposit to be increased from time to time such that at all times the Deposit is equal to one-half (1/2) the then current Minimum Annual Guarantee, all at Tenant’s cost. Tenant shall cause the bond or letter of credit to be kept in full force and effect during the Term and any holdover period to ensure the faithful performance by Tenant of all covenants, terms, and conditions of this Lease, including payment of Rent. If and to the extent City accepts a Deposit which has an expiration date or cancellation/termination provision, Tenant shall cause the surety company or bank issuing such bond or letter of credit to give Director notice in writing by registered mail at least forty-five (45) days prior to the expiration date of such bond or letter of credit of its intention not to renew or to cancel or terminate said bond or letter of credit. Tenant shall cause such bond or letter of credit to be renewed, extended, or replaced, at Tenant’s sole cost, at least

thirty (30) days before the expiration date or cancellation date of the bond or letter of credit, with another bond or letter of credit that complies with the requirements herein. If Tenant fails to do so, City may, without notice to Tenant, draw on the entirety of the Deposit and hold the proceeds thereof as security hereunder. Tenant shall cause all notices to be given to City under this Section 13 to be given to City at City's Insurance/Deposit Notice Address.

13.3 Alternative Forms of Deposit. Notwithstanding the foregoing, if and to the extent alternative form(s) of Deposit are permitted pursuant to the Airport Bid Deposit and Performance Guarantee Policy, as authorized by Commission Resolution No. 04-0153, as such Policy may be amended from time to time, then Tenant may provide such alternative forms of Deposit. Tenant shall cause such Deposit to be increased from time to time such that at all times the Deposit is equal to one-half (1/2) the then current Minimum Annual Guarantee, all at Tenant's cost.

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

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

## 14. DAMAGE OR DESTRUCTION

### 14.1 Partial Destruction of 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 Tenant shall repair such damage as soon as reasonably possible, at its own cost, and this Lease shall continue in full force and effect.

(b) In the event such improvements are damaged by any casualty not covered under an insurance policy required to be maintained pursuant to this Lease, then City may, at City's option, either  
(i) repair such damage as soon as reasonably possible at City's expense, in which event this Lease shall continue

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

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

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

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

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

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

**14.5 No Abatement of Rent; Tenant's Remedies.**

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

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

## 15. DEFAULT; REMEDIES

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

- (a) Tenant shall fail duly and punctually to pay Rent, or to make any other payment required hereunder, when due to City, and such failure shall continue beyond the date specified in a written notice of such default from Director, which date shall be no earlier than the third (3rd) day after the effective date of such notice. Notwithstanding the foregoing, in the event there occurs two (2) defaults in the payment of Rent or other payment during the Term, thereafter Tenant shall not be entitled to, and City shall have no obligation to give, notice of any further defaults in the payment of Rent or other payment. In such event, there shall be deemed to occur an Event of Default immediately upon Tenant’s failure to duly and punctually pay Rent or other payment hereunder; or
- (b) Tenant shall become insolvent, or shall take the benefit of any present or future insolvency statute, or shall make a general assignment for the benefit of creditors, or file a voluntary petition in bankruptcy, or a petition or answer seeking an arrangement for its reorganization, or the readjustment of its indebtedness under the federal bankruptcy laws, or under any other law or statute of the United States or of any state thereof, or consent to the appointment of a receiver, trustee, or liquidator of any or substantially all of its property; or
- (c) A petition under any part of the federal bankruptcy laws, or an action under any present or future insolvency law or statute, shall be filed against Tenant and shall not be dismissed within thirty (30) days after the filing thereof; or
- (d) There shall occur a Transfer without the prior approval of the City; or
- (e) Tenant shall voluntarily abandon, desert or vacate the Premises; or
- (f) Any lien shall be filed against the Premises as a result of any act or omission of Tenant, and shall not be discharged or contested by Tenant in good faith by proper legal proceedings within twenty (20) days after receipt of notice thereof by Tenant; or
- (g) Tenant shall fail to provide, maintain, increase, or replace, the Deposit as required herein; or
- (h) Tenant shall fail to obtain and maintain the insurance required hereunder, or provide copies of the policies or certificates to City as required herein; or
- (i) Tenant shall fail to keep, perform and observe each and every other promise, covenant and agreement set forth in this Lease, and such failure shall continue for a period of more than three (3) days after delivery by Director of a written notice of such failure (the “First Notice”); or if satisfaction of such obligation requires activity over a period of time, if Tenant fails to commence the cure of such failure within three (3) days after receipt of the First Notice, or thereafter fails to diligently prosecute such cure, or fails to actually cause such cure within one hundred twenty (120) days after the giving of the First Notice; or
- (j) Tenant shall use or give its permission to any person to use any portion of Airport or the Terminal Buildings used by Tenant under this Lease for any illegal purpose, or any purpose not approved by Director; or
- (k) There shall occur a default under any other agreement between Tenant and City, including the Other Agreements, if any, and such default is not cured as may be provided in such agreement; provided, however, that nothing herein shall be deemed to imply that Tenant shall be entitled to additional notice or cure rights with respect to such default other than as may be provided in such other agreement.

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

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

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

- (i) The "**worth at the time of the award**" of the unpaid Rent earned to the time of termination hereunder;
- (ii) The "**worth at the time of the award**" of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided; 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 rental loss that Tenant proves could be reasonably avoided; and
- (iv) Any other amount necessary to compensate City for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom.

For purposes of the foregoing, the "**worth at the time of award**" of the amounts referred to in clauses (i) and (ii) above is computed by allowing interest at the lower of 18% per annum and the highest rate legally permitted under applicable law. The "**worth at the time of award**" of the amount referred to in clause (iii) above is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1% (one percent). Notwithstanding any other provisions hereof, any efforts by City to mitigate damages caused by Tenant's breach of this Lease shall not constitute a waiver of City's right to recover damages hereunder and shall not affect the right of City to indemnification pursuant to the provisions of Section 12 [Waiver; Indemnity; Insurance] hereof. For purposes of calculating City's damages comprising Base Rent based on Gross Revenues, that amount will be computed by determining the highest Base Rent accruing in any Lease Year during the immediately preceding three Lease Years or such shorter period if the Term prior to termination was less than three Lease Years. Tenant agrees that Tenant's obligations under this Lease, including the payment of Base Rent, are independent covenants and are not conditioned on the covenants or warranties of City.

(b) City shall have the right and remedy described in California Civil Code Section 1951.4. City may elect not to terminate this Lease and let this Lease continue, in which case City may enforce all its rights and remedies under this Lease, including the right to recover Rent as it becomes due under this Lease. Acts of

maintenance or preservation or efforts to relet the Premises or the appointment of a receiver upon the initiative of City to protect City's interest under this Lease shall not constitute a termination of Tenant's right to possession.

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

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

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

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

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

**15.5 Rights Related to Termination.** In the event of any termination based on any breach of the covenants, terms and conditions contained in this Lease, City shall have the option at once and without further notice to Tenant to enter upon the Premises and take exclusive possession of same. City may remove or store any personal property located therein, at the sole cost and expense of Tenant without City being liable to Tenant for

damage or loss thereby sustained by Tenant. Upon such termination by City, all rights, powers and privileges of Tenant hereunder shall cease, and Tenant shall immediately vacate any space occupied by it under this Lease, and Tenant shall have no claim of any kind whatsoever against City or any City Entity by reason of such termination, or by reason of any act by City or any City Entity incidental or related thereto. In the event of the exercise by City of such option to terminate, Tenant shall have no right to or claim upon any improvements or the value thereof, which may have been previously installed by Tenant in or on the Premises.

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

15.7 Prepayment. As provided in Section 4.10 [Prepay Rent], if Tenant defaults in the payment of Rent, City may require prepayment of Rent. Such right shall be in addition to and not in lieu of any and all other rights hereunder, or at law or in equity.

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

<u>Violation</u>	<u>Section</u>	<u>Fine</u>
Violation of Premises Clause	1	\$100
Violation of Use Section	3	\$300
Failure to open Facility by Rent Commencement Date	2.3	\$500
Failure to cause operations or Premises to comply with Laws	3.13	\$100
Failure to submit required documents and reports, including Sales Reports	4.4, 4.5, and others	\$100
Construction or Alterations without City approval	7	\$100
Failure to make required repairs	9	\$300
Unauthorized advertising or signage	10	\$100
Failure to obtain/maintain insurance	12	\$300
Failure to obtain or maintain Deposit	13	\$300
Failure to abide by any other term in this Lease		\$300

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

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

as City may request to perfect such lien, and designates also Director his attorney-in-fact for purposes of executing such documents.

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

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

## 16. SURRENDER

Tenant shall at the end of the Term surrender to City the Premises and all Alterations, additions and improvements thereto in the same condition as when received, ordinary wear and tear and damage by fire, earthquake, act of God, or the elements excepted. Subject to City's right to require removal pursuant to Section 7 [Investments; Alterations] hereof, all Alterations and improvements installed in the Premises by Tenant (other than Tenant's trade fixtures), shall, without compensation to Tenant, then become City's property free and clear of all claims to or against them by Tenant or any third person. In the event that Tenant shall fail to remove its personal property, including trade fixtures, on or before the Expiration Date, such personal property shall become City's property free and clear of all claims to or against them by Tenant or any third person. In such event, City shall not be responsible for any Losses related to such personal property, and City may sell or otherwise dispose of such personal property.

## 17. HAZARDOUS MATERIALS

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

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

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

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

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

17.2 Tenant’s Covenants.

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

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

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

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

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

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

17.5 Closure Permit. Prior to the termination or expiration of this Lease, Director shall have the right to require Tenant to file with the City an application for a Closure Permit for decontamination of the site and investigation and removal of all Hazardous Materials in compliance with the Airport’s TI Guide, the Airport

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

## 18. EMINENT DOMAIN

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

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

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

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

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

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

18.4 Partial Taking; Election to Terminate.

(a) If a Taking of any portion (but less than all) of the Premises occurs, then this Lease shall terminate in its entirety if all of the following exist: (a) the partial Taking renders the remaining portion of the Premises untenantable or unsuitable for continued use by Tenant for the Permitted Use; (b) the condition rendering the Premises untenantable 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 Terminal occurs, City shall have the right to terminate this Lease in its entirety.

(c) City's elections to terminate this Lease pursuant to this Section 18 shall be exercised by City's giving notice to Tenant on or before the date that is one hundred twenty (120) days after the Date of Taking, and thereafter this Lease shall terminate upon on the thirtieth (30th) day after such notice is given.

18.5 Tenant Monetary Obligations; Award. Upon termination of this Lease pursuant to an election under Section 18.4 [Partial Taking; Election to Terminate] above, then: (a) Tenant's obligation to pay Base Rent

shall continue up until the date of termination, and thereafter shall cease, and (b) City shall be entitled to the entire Award in connection therewith (including any portion of the Award made for the value of the leasehold estate created by this Lease), and Tenant shall have no claim against City for the value of any unexpired term of this Lease, provided that Tenant may make a separate claim for compensation, and Tenant shall receive any Award made specifically to Tenant, for Tenant's relocation expenses or the interruption of or damage to Tenant's business or damage to Tenant's personal property.

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

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

## **19. CITY AND OTHER GOVERNMENTAL PROVISIONS**

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

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

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

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

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

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

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

19.8 Federal Nondiscrimination Regulations.

(a) Tenant understands and acknowledges that City has given to the United States of America, acting by and through the Federal Aviation Administration, certain assurances with respect to nondiscrimination, which have been required by Title VI of the Civil Rights Act of 1964, as effectuated by Title 49 of the Code of Federal Regulations, Subtitle A - Office of the Secretary of Transportation, Part 21, as amended, as a condition precedent to the government making grants in aid to City for certain Airport programs and activities, and that City is required under said Regulations to include in every agreement or concession pursuant to which any person or persons other than City, operates or has the right to operate any facility on the Airport providing services to the public, the following covenant, to which Tenant agrees as follows: *"Tenant in its operation at and use of San Francisco International Airport, covenants that (1) no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities; (2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, and (3) that the grantee, licensee, permittee, etc., shall use the Premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Subtitle A, Office of the Secretary of Transportation, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation Effectuations of Title VI of the Civil Rights Act of 1964, and as said regulations may be amended."*

(b) (i) This agreement is subject to the requirements of the U.S. Department of Transportation's regulations, 49 CFR part 23. The concessionaire or contractor agrees that it will not discriminate against any business owner because of the owner's race, color, national origin, or sex in connection with the award or performance of any concession agreement, management contract, or subcontract, purchase or lease agreement, or other agreement covered by 49 CFR part 23. (ii) The concessionaire or contractor agrees to include the above statements in any subsequent concession agreement or contract covered by 49 CFR part 23 that it enters and cause those businesses to similarly include the statements in the further agreements.

19.9 Federal Affirmative Action Regulations. Tenant assures that it will undertake an affirmative action program as required by 14 CFR Part 152, Subpart E, to insure that no person shall on the grounds of race, creed, color, national origin, or sex be excluded from participating in any employment activities covered in 14

CFR Part 152, Subpart E. Tenant assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. Tenant assures that it will require that its covered sub-organizations provide assurances to Tenant that they similarly will undertake affirmative action programs and that they will require assurances from their sub-organizations, as required by 14 CFR Part 152, Subpart E, to the same effect.

**19.10 City's Nondiscrimination Ordinance.**

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

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

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

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

(e) 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. Tenant shall comply fully with and be bound by all of the provisions that apply to this Lease under such Chapters of the Administrative Code, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Tenant understands that pursuant to Section 12B.2(h) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Lease may be assessed against Tenant and/or deducted from any payments due Tenant.

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

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

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

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

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

19.16 Compliance with Americans With Disabilities Act. Tenant acknowledges that, pursuant to the ADA, programs, services and other activities provided by a public entity, whether directly or through a contractor, must be accessible to the disabled public. Tenant shall provide the services specified in this Lease in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. Tenant agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Lease, and further agree that any violation of this prohibition on the part of Tenant, its employees, agents or assigns shall constitute a material breach of this Lease.

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

19.18 Pesticide Prohibition. Tenant shall comply with the provisions of Section 308 of Chapter 3 of the San Francisco Environment Code (the “**Pesticide Ordinance**”) which (i) prohibit the use of certain pesticides on City property, (ii) require the posting of certain notices and the maintenance of certain records regarding pesticide usage and (iii) require Tenant to submit to the Airport an integrated pest management (“**IPM**”) plan that (a) lists, to the extent reasonably possible, the types and estimated quantities of pesticides that Tenant may need to apply to the Premises during the terms of this Lease, (b) describes the steps Tenant will take to meet the City’s IPM Policy described in Section 300 of the Pesticide Ordinance and (c) identifies, by name, title, address and telephone number, an individual to act as the Tenant’s primary IPM contact person with the City. In addition, Tenant shall comply with the requirements of Sections 303(a) and 303(b) of the Pesticide Ordinance.

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

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

19.21 [INTENTIONALLY DELETED.]

19.22 Requiring Minimum Compensation. Tenant agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 12P are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the MCO is available on the web at <http://sfgsa.org/index.aspx?page=391>. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12P. Consistent with the requirements of the MCO, Tenant 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 Agreement, Tenant 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 hourly gross compensation portion of the MCO, Tenant shall pay a minimum of \$11.54 an hour beginning January 1, 2009. Rates may be adjusted each January 1st, thereafter; and employers must pay the then current rate.

(b) Tenant shall not discharge, reduce in compensation, or otherwise discriminate against any employee for complaining to the City with regard to Tenant'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) Tenant understands and agrees that the failure to comply with the requirements of the MCO shall constitute a material breach by Tenant of the terms of this Agreement. 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 Agreement for violating the MCO, Tenant fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, Tenant fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City, 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 Tenant an amount equal to the difference between the Minimum Compensation and any compensation actually provided to a Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law;
- (2) The right to set off all or any portion of the amount described in Subsection (d)(1) of this Section against amounts due to Tenant under this Agreement;
- (3) The right to terminate this Agreement in whole or in part;
- (4) In the event of a breach by Tenant 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 Tenant from entering into future contracts with the City for three (3) years.
- (6) 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) Tenant represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(f) Tenant 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 Tenant from the CITY, which communications are marked to indicate that they are to be distributed to Covered Employees.

(g) Tenant shall provide reports to the City in accordance with any reporting standards promulgated by the City under the MCO, including reports on subtenants.

(h) The Tenant 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 Tenant. 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 Tenant every two years for the duration of this Agreement. Nothing in this Agreement is intended to preclude the City from investigating any report of an alleged violation of the MCO.

(j) Any sublease entered into by Tenant and another party shall require that party to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. Tenant shall notify the Department of Administrative Services when it enters into such a sublease and shall certify to the Department of Administrative Services that it has notified the sub-tenant of the obligations under the MCO and has imposed the requirements of the MCO on the sub-tenant through the provisions of the subcontract. It is Tenant's obligation to ensure that any sub-tenants of any tier under this Agreement comply with the requirements of the MCO. If any sub-tenant under this Agreement fails to comply, City may pursue any of the remedies set forth in this Section against Tenant.

(k) Any contract entered into by Tenant and another party to perform services on the property covered by this Lease shall require that party to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. Tenant shall notify the Department of Administrative Services when it enters into such a contract and shall certify to the Department of Administrative Services that it has notified the contractor of the obligations under the MCO and has imposed the requirements of the MCO on the contractor through the provisions of the subcontract. It is Tenant's obligation to ensure that any such contractors comply with the requirements of the MCO. If such a contractor fails to comply, City may pursue any of the remedies set forth in this Section against Tenant.

(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 Tenant 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. Tenant understands and agrees that if the Covered Employee prevails in such action, the Covered Employee may be awarded: (1) an amount equal to the difference between the Minimum Compensation and any compensation actually provided to the Covered Employee, together with interest on such amount from the date payment was due at the maximum rate then permitted by law; (2) in the event of a breach by Tenant 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 Tenant arising from this Agreement, the right to obtain all costs and expenses, including reasonable attorney's fees and disbursements, incurred by the Covered Employee. Tenant also understands that the MCO provides that if Tenant 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 Tenant is exempt from the MCO when this Agreement is executed because the cumulative amount of agreements with this department for the fiscal year is less than \$25,000 (\$50,000 for nonprofits), but Tenant later enters into an agreement or agreements that cause Tenant to exceed that amount in a fiscal year, Tenant shall thereafter be required to comply with the MCO under this Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Tenant and this department to exceed \$25,000 (\$50,000 for nonprofits) in the fiscal year.

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

19.24 Requiring Health Benefits for Covered Employees. Unless exempt, Tenant agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q (Chapter 12Q), including the implementing regulations, as the same may be amended or updated from time to time. The provisions of Chapter 12Q are incorporated herein by reference and made a part of this Lease as though fully set forth herein. The text of the HCAO is currently available on the web at <http://sfgsa.org/index.aspx?page=391>. Capitalized terms used in this Section and not defined in this Lease shall have the meanings assigned to such terms in Chapter 12Q.

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

(b) Notwithstanding the above, if Tenant meets the requirements of a “**small business**” as described in Section 12Q.3(d) of the HCAO, it shall have no obligation to comply with part (a) above.

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

(d) Any Sublease or Contract regarding services to be performed on the Premises entered into by Tenant shall require the Subtenant or Contractor and Subcontractors, as applicable, to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. Tenant shall notify the Purchasing Department when it enters into such a Sublease or Contract and shall certify to the Purchasing Department that it has notified the Subtenant or Contractor of the obligations under the HCAO and has imposed the requirements of the HCAO on the Subtenant or Contractor through written agreement with such Subtenant or Contractor. Tenant shall be responsible for ensuring compliance with the HCAO by each Subtenant, Contractor and Subcontractor performing services on the Premises. If any Subtenant, Contractor or Subcontractor fails to comply, City may pursue the remedies set forth in this Section against Tenant based on the Subtenant’s, Contractor’s, or Subcontractor’s failure to comply, provided that the Contracting Department has first provided Tenant with notice and an opportunity to cure the violation.

(e) Tenant shall not discharge, reprimand, penalize, reduce the compensation of, or otherwise discriminate against, any employee for notifying City of any issue relating to the HCAO, for opposing any practice proscribed by the HCAO, for participating in any proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

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

(g) Tenant shall keep itself informed of the requirements of the HCAO, as they may change from time to time.

(h) Upon request, Tenant shall provide reports to City in accordance with any reporting standards promulgated by City under the HCAO, including reports on Subtenants, Contractors, and Subcontractors.

(i) Within five (5) business days after any request by City, Tenant shall provide City with access to pertinent records relating to any Tenant’s compliance with the HCAO. In addition, City and its agents may

conduct random audits of Tenant at any time during the term of this Lease. Tenant agrees to cooperate with City in connection with any such audit.

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

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

## 20. GENERAL PROVISIONS

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

20.2 No Implied Waiver. No failure by either party to insist upon the strict performance of any obligation of the other party under this Lease or to exercise any right, power or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or of such term, covenant or condition. No express written waiver of any default or the performance of any provision hereof shall affect any other default or performance, or cover any other period of time, other than the default, performance or period of time specified in such express waiver.

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

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

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

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

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

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

20.9 Brokers. Neither party has had any contact or dealings regarding the leasing of the Premises, nor any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the lease contemplated herein. In the event that any broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his/her claim shall be responsible for such commission or fee and shall indemnify, defend, and hold harmless the other party from any and all Losses incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination or expiration of this Lease.

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

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

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

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

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

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

20.16 Survival of Indemnities. Expiration or termination of this Lease shall not affect the right of either party to enforce any and all indemnities and representations and warranties given or made to the other party under this Lease, nor shall it effect any provision of this Lease that expressly states it shall survive termination hereof. Each party hereto specifically acknowledges and agrees that, with respect to each of the indemnities contained in this Lease, the indemnitor has an immediate and independent obligation to defend the indemnitees from any claim which actually or potentially falls within the indemnity provision even if such allegation is or may be groundless, fraudulent or false, which obligation arises at the time such claim is tendered to the indemnitor by the indemnitee. Further, Tenant's obligation to make payments to City in respect of accrued charges (including those which have not yet been billed) and to make repairs (including those relating to the return of the Premises to City) which are accrued at the expiration or earlier termination of this Lease shall survive the expiration or earlier termination of this Lease.

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

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

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

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

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

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

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

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

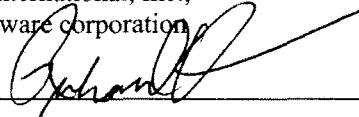
20.25 Counterparts. This Lease may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

///

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

TENANT: Host International, Inc.,  
[signatories to also initial Summary] a Delaware corporation

By: 

Name: RICHARD KUNKLE  
(type or print)  
Title: Vice President

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

  
John L. Martin  
Airport Director

AUTHORIZED BY  
AIRPORT COMMISSION

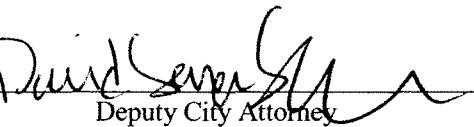
Resolution No.: 10-0232

Adopted: July 6, 2010

Attest:   
Secretary  
Airport Commission

APPROVED AS TO FORM:

DENNIS J. HERRERA,  
City Attorney

By:   
Deputy City Attorney

11.08.2010  
X:\TENANTS\Host-Retail\Agreements\Working Docs\L10-0232 Final (T2).doc

## **LIST OF EXHIBITS**

EXHIBIT A – Description of Premises

EXHIBIT B – Use and Operational Requirements

EXHIBIT C-1 – Form of Performance Bond

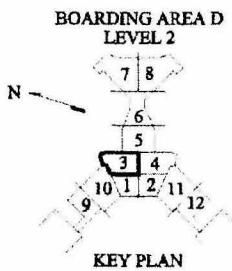
EXHIBIT C-2 – Form of Letter of Credit

EXHIBIT D – Tenant Work Letter

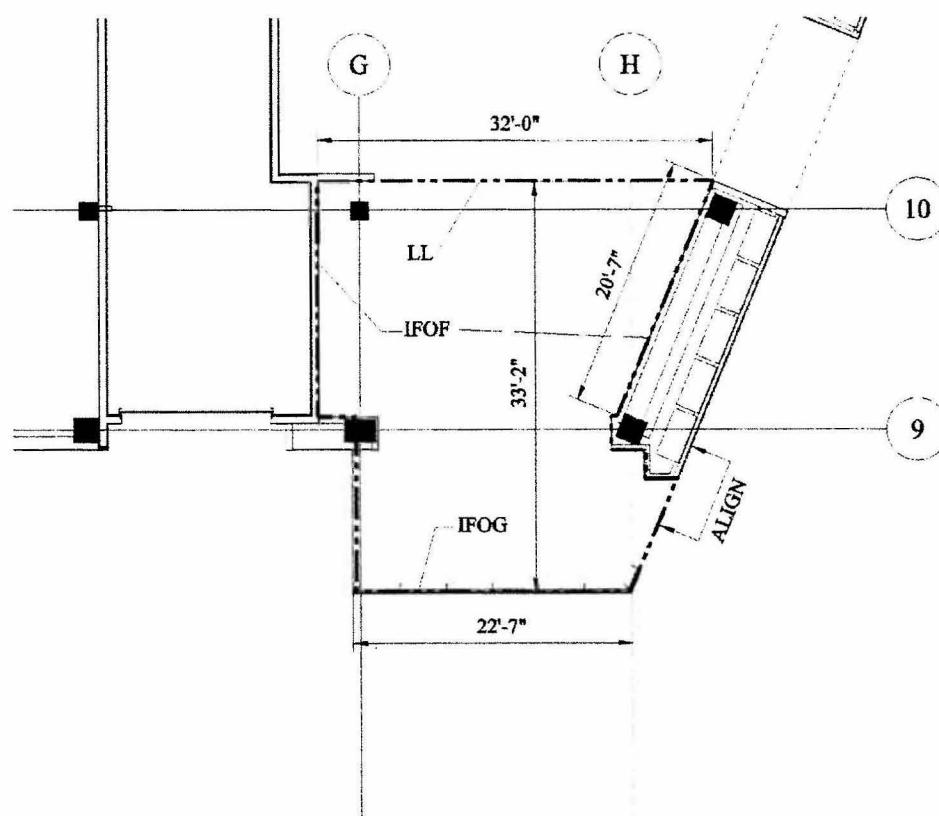
**EXHIBIT A**  
**PREMISES**

A total of five (5) facilities, comprising approximately 4,420 square feet of retail space located in Terminal 2, Boarding Area D at San Francisco International Airport, as described on the attached drawings, broken down as follows:

<u>Location No./Description</u>	<u>Approx. Square Footage</u>
Space #5, D.2.362 - operating as a news wall / kiosk	409
Space #12, D.2.325 - operating as a newsstand	1,974
Space #21, D.2.253 - operating as a specialty retail store	563
Space #22, D.2.249 - operating as a specialty retail store	609
Space #25, T2.2.197 - operating as a coffee shop	865

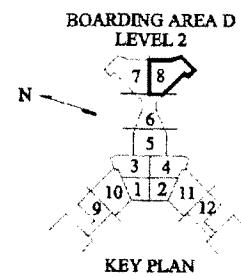


DEPARTURE LEVEL FOOD & BEVERAGE  
SECTOR 3, SPACE 25 - T2.2.197  
865 SQ FT

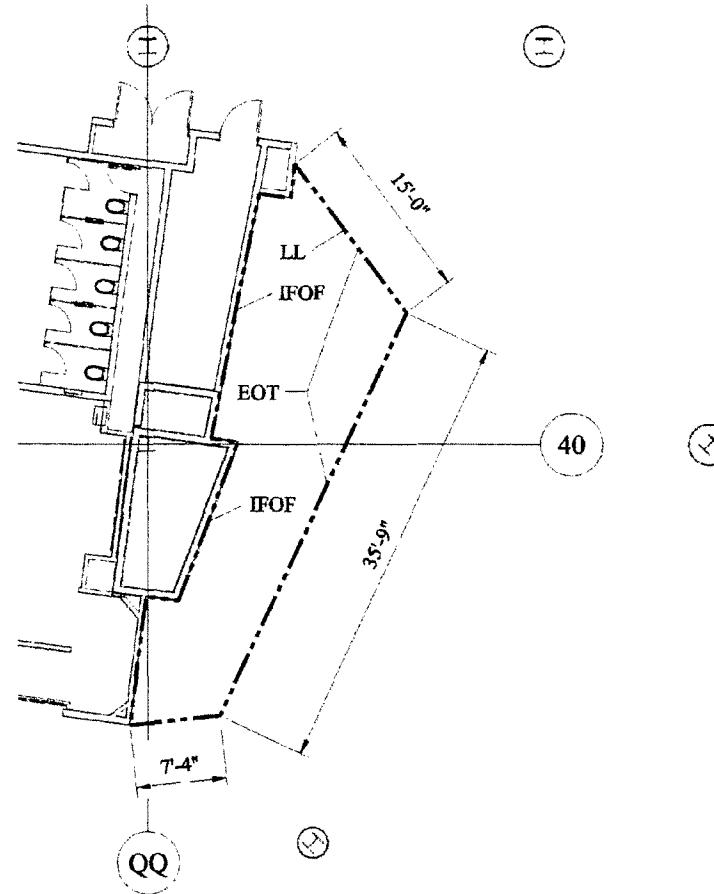


SAN FRANCISCO INTERNATIONAL AIRPORT  
TERMINAL 2  
LEASE OUTLINE DRAWING  
SEPTEMBER 2009

Exhibit A – Page 3



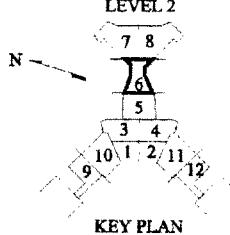
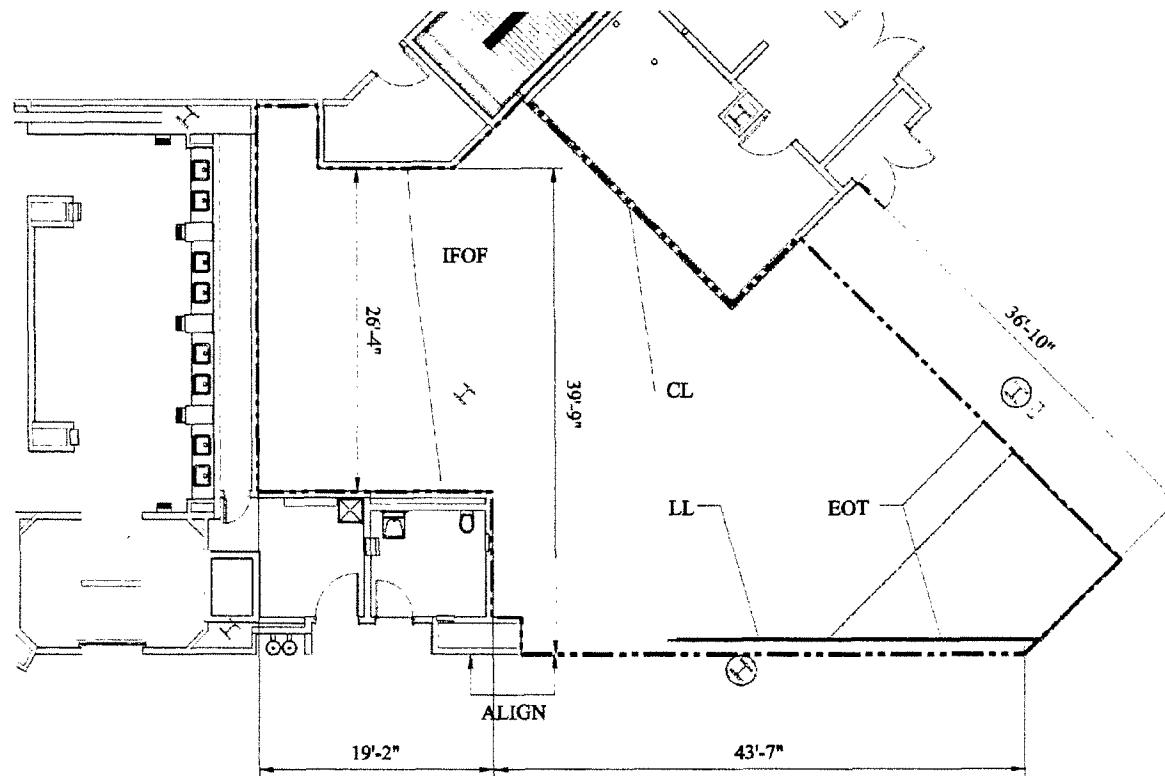
RETAIL  
SECTOR 8, SPACE 5 - D.2.362  
409 SQ FT

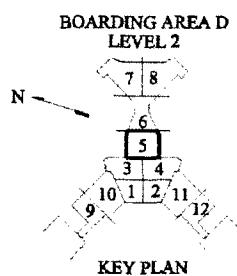


SAN FRANCISCO INTERNATIONAL AIRPORT  
TERMINAL 2  
LEASE OUTLINE DRAWING  
SEPTEMBER 2009

NOTES:

1. TENANT TO FIELD  
VERIFY ALL DIMENSIONS.
2. IFOF = INSIDE FACE OF  
FINISH.
3. EOT = EDGE OF TERRAZZO.
4. CL = CENTERLINE OF WALL.
5. LL = LEASE LINE

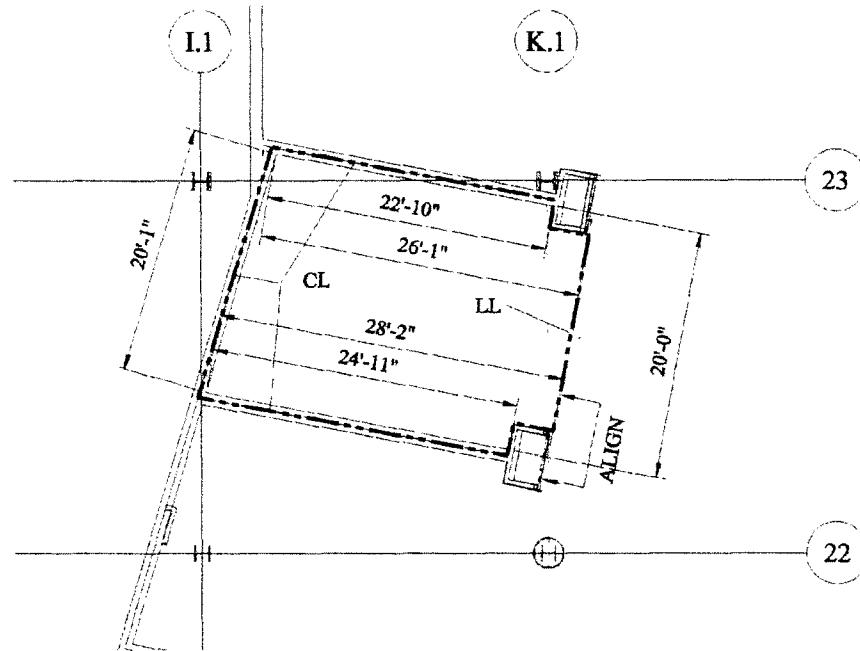




RETAIL  
SECTOR 5, SPACE 21 - D.2.253  
563 SQ FT

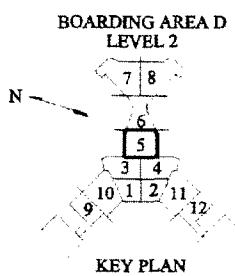
SCALE: 1/8"=1'-0"

SAN FRANCISCO INTERNATIONAL AIRPORT  
TERMINAL 2  
LEASE OUTLINE DRAWING  
SEPTEMBER 2009

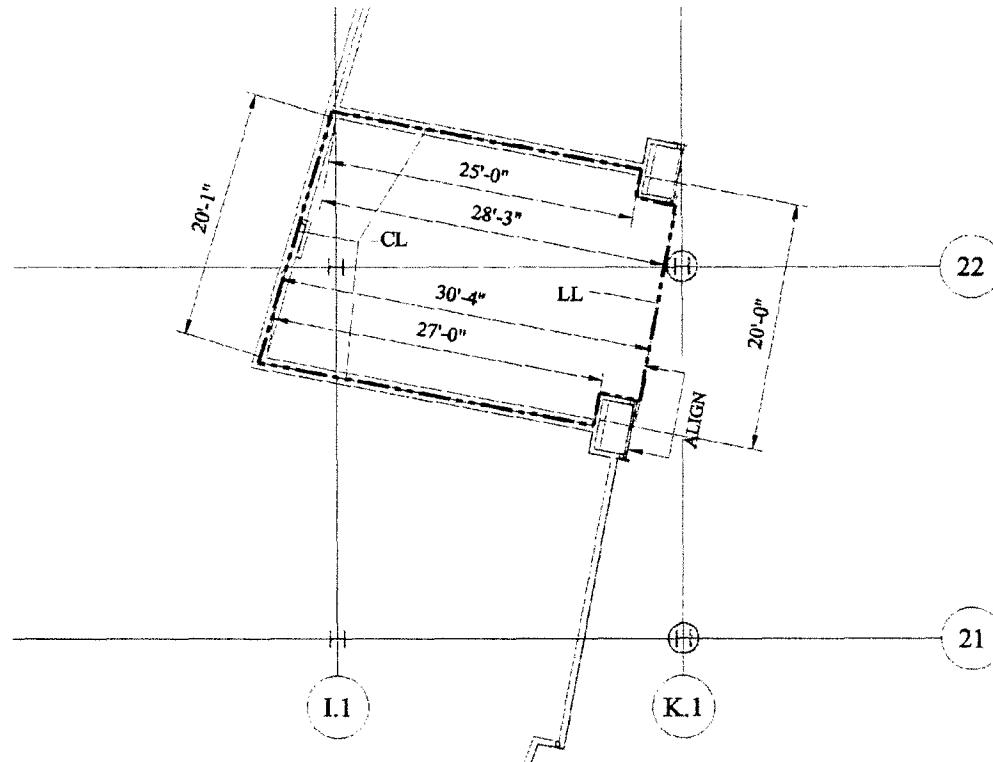


NOTES:

1. TENANT TO FIELD  
VERIFY ALL DIMENSIONS.
2. IFOF = INSIDE FACE OF  
FINISH.
3. EOT = EDGE OF TERRAZZO.
4. CL = CENTERLINE OF WALL
5. LL = LEASE LINE



RETAIL  
SECTOR 5, SPACE 22 - D.2.249  
609 SQ FT



SCALE: 1/8"=1'-0"

SAN FRANCISCO INTERNATIONAL AIRPORT  
TERMINAL 2  
LEASE OUTLINE DRAWING  
SEPTEMBER 2009

**EXHIBIT B**  
**USE AND OPERATIONAL REQUIREMENTS**

**A. GENERAL REQUIREMENTS:** All merchandise shall be sold on a non-exclusive basis, and Airport reserves the right to sell and to permit other Airport tenants to sell merchandise. All such items must be sold at retail. Tenant may not display, sell, rent, or otherwise offer any merchandise or other product without Director's written prior consent.

**B. REQUIRED/OPTIONAL MERCHANDISE:** In the event Director permits any product to be sold or offered that is not listed below, or otherwise permits any other change in the Permitted Use, this Exhibit shall be deemed amended without need for a formal amendment of this Lease. Tenant's proposal dated M, including all representations, warranties and covenants, set forth therein is hereby incorporated herein by reference. If there is any conflict or inconsistency between the terms of this Lease and such proposal, the term of this Lease shall prevail.

**Space D.2.362: SFO News Express:** Tenant shall operate this space as news wall / kiosk as an extension of Space #12, as shown below except that the sale of premium candies, such as Ghirardelli, Scharffen Berger, and See's Candies is prohibited.

**Space D.2.325 Sunset News:** Tenant shall display and sell on a non-exclusive basis, merchandise reflective of a newsstand.

**Required:**

- At least 200 separately displayed titles of paperback and hardback books sold at no more than the publisher's list price, which includes the New York Times top ten bestseller lists
- At least 100 separate displayed titles of major bestselling national periodicals and magazines sold at no more than the pre-marked price
- A complete supply of newspapers of general circulation sold at no more than the pre-marked cover price
- Maps and guidebooks specifically selected for the San Francisco International Airport traveler
- Bookmarks and office supplies
- Reading glasses
- Bottled water in conformance with the Airport Sustainability Food Policy
- At least 20 best selling candy bars as packaged for normal retail
- Packaged snack products, such as chips, cookies, nuts, and Danish
- Gum and breath mints
- Health and beauty aids
- Film and batteries

Optional: Tenant may, at its option, sell the following items, which shall be limited to no more than twenty percent (20%) of the retail display area:

- Regional gifts and souvenir items, such as imprinted logo, San Francisco T-shirts, sweatshirts, hats, mugs, glassware, and tote bags
- Rethink- Reuse eco-friendly product including note pads, graphic tees, reusable water bottles, mugs and cups
- Postcards and greeting cards
- San Francisco sourdough bread
- Flowers
- Tobacco products
- Wines from Napa and Sonoma Valley
- Travel Accessories (1 Brookstone fixture)
- Sunglasses
- Selection of premium chocolates, such as Ghirardelli, Scharffen Berger, and See's Candies is limited to two brands on two small fixtures (approximately 2' x 2' x 5'5" or the equivalent) or one wall section (approximately 6' x 6').

**Space D.2.253 Kiehl's:** Tenant shall display and sell, on a non-exclusive basis, merchandise reflective of Kiehl's apothecary such as;

- Face, Body and Hair products
- Men's products such as facial moisturizers, toners and after shave lotion.

**Space D.2.249 Mango:** Tenant shall display and sell, on a non-exclusive basis, merchandise reflective of a Mango retail store such as;

- Fashion Apparel
- Accessories such as; Handbags, Jewelry, sunglasses, watches, belts.

**Space T2.2.197 Starbucks:** Tenant display and sell, on a non-exclusive basis, merchandise reflective of a coffee shop.

**Required**

- Gourmet coffee drinks including drip, espresso, mochas, and lattes
- An assortment of pastries such as scones, muffins, bagels, croissants, Danish, cinnamon rolls, and/or bear claws
- A variety of non-alcoholic beverages

Optional: Tenant display and sell, on a non-exclusive basis, merchandise reflective of a coffee shop.

- No more than two varieties of breakfast sandwiches
- Cereal
- Yogurt (not frozen)
- An assortment of pre-packaged salads.
- An assortment of pre-packaged sandwiches.

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

- (a) The operation of a grab-and-go case, with the exception of Space 25.
- (b) The sale or delivery of any duty free/in-bond merchandise.
- (c) Any and all sales from vending machines or other mechanical devices, including but not limited to such items as: cigarettes, candy, maps, coffee, newspapers, stamps, insurance policies, and dispensation of cash, money orders and checks.
- (d) Freshly prepared popcorn or peanuts in the shell or other baked products intended for immediate consumption.
- (e) Any and all sales or rental of telecommunications equipment.
- (f) Any and all sales of phone cards.

**D. OTHER OPERATIONAL REQUIREMENTS:**

- Comprehensive customer service training for all associates including "L.E.A.R.N." program
- Expansive promotional strategies and special events, including seasonal and special occasions
- Quality assurance monitoring with Mystery Shoppers and customer comment cards
- Address special needs by following ADA requirements, easy to read graphics and price point signage, multi-lingual sales associates on duty with emphasis on Spanish and Chinese, listing and phone numbers for multi-lingual associate at each store
- Use of LaborPro, automated scheduling tool to ensure staffing levels that meet the needs of our customers
- Open 365 days a year, including Holidays
- Facility Maintenance Plan that includes the 'Opening and Closing Checklist'. Budget of .5% to keep facilities in first class condition. Quarterly audits.
- "Start Somewhere" environmental program including recycling, friendly degradable shopping bags in newsstand and bookstores and ReBook Program to recycle books.
- Magazine Plus Frequent Purchase Program – purchase 6 magazines from a Host newsstand and get 7<sup>th</sup> free.
- SFO employee discount of 10% on souvenir and apparel items at newsstands.
- SFO employee discount of 10% on any food or beverage item at Starbucks.

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

- (a) The operation of a grab-and-go case, with the exception of Space 25.
- (b) The sale or delivery of any duty free/in-bond merchandise.
- (c) Any and all sales from vending machines or other mechanical devices, including but not limited to such items as: cigarettes, candy, maps, coffee, newspapers, stamps, insurance policies, and dispensation of cash, money orders and checks.
- (d) Freshly prepared popcorn or peanuts in the shell or other baked products intended for immediate consumption.
- (e) Any and all sales or rental of telecommunications equipment.
- (f) Any and all sales of phone cards.

**D. OTHER OPERATIONAL REQUIREMENTS:**

- Comprehensive customer service training for all associates including "L.E.A.R.N." program
- Expansive promotional strategies and special events, including seasonal and special occasions
- Quality assurance monitoring with Mystery Shoppers and customer comment cards
- Address special needs by following ADA requirements, easy to read graphics and price point signage, multi-lingual sales associates on duty with emphasis on Spanish and Chinese, listing and phone numbers for multi-lingual associate at each store
- Use of LaborPro, automated scheduling tool to ensure staffing levels that meet the needs of our customers
- Open 365 days a year, including Holidays
- Facility Maintenance Plan that includes the 'Opening and Closing Checklist'. Budget of .5% to keep facilities in first class condition. Quarterly audits.
- "Start Somewhere" environmental program including recycling, friendly degradable shopping bags in newsstand and bookstores and ReBook Program to recycle books.
- Magazine Plus Frequent Purchase Program – purchase 6 magazines from a Host newsstand and get 7<sup>th</sup> free.
- SFO employee discount of 10% on souvenir and apparel items at newsstands.
- SFO employee discount of 10% on any food or beverage item at Starbucks.



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

(Surety)

KNOW ALL MEN BY THESE PRESENT:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Date \_\_\_\_\_

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

Airport Commission  
City and County of San Francisco  
Att'n: Deputy Director, Business & Finance  
San Francisco International Airport  
International Terminal, No. Shoulder Bldg., 5/F  
PO Box 8097  
San Francisco, CA 94128

Ladies and Gentlemen:

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

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

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

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

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

Sincerely,

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EXHIBIT D  
TENANT WORK LETTER

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## San Francisco International Airport Tenant Work Letter - Terminal 2

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### TERMINAL 2 RENOVATION PROJECT

#### Tenant Work Letter

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## **San Francisco International Airport Tenant Work Letter - Terminal 2**

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This Work Letter is attached to and becomes part of the Lease by and between the Tenant and the City and County of San Francisco working by and through its Airport Commission "Airport", definitions herein shall have the meanings given them in the Lease.

### **A. GENERAL INFORMATION**

#### **1. BASE BUILDING CONSTRUCTION**

The Airport is currently under contract for the renovation of Terminal 2. It is anticipated that Tenants will undertake design and construction of their leasehold prior to the Airport's completion of Terminal 2. Tenants and other entities hired by the Tenant including Tenant's contractor and design professionals must cooperate with the base building contractor at all times. Access to Tenant space may be limited or restricted at times.

#### **2. GOVERNING CODES AND REQUIREMENTS**

All Construction work performed at the San Francisco International Airport (SFIA) shall comply with the requirements of 2007 Edition of the California Code Regulations (CCR), Title 24, and Americans with Disability Act (ADA). The work must also comply with the requirements of the SFIA Tenant Improvement Guide (TIG), a supplemental Airport document governing some aspects of Tenant construction, and the California Uniform Retail Food Facilities Law (CURFFL).

Tenants must obtain a building permit from SFIA's Bureau of Building Inspection and Code Enforcement (BICE). Food and Beverage Concessions must complete plan review and obtain a Health Permit from the San Mateo County Environmental Health Department. Tenants are encouraged to secure a Green Business Certificate from the County of San Mateo.

Design of Concessions Tenant improvements shall be developed in accordance with the T2 Concessions Design Guidelines, prepared by Gensler Architects, dated 2009.

The Airport is committed to obtaining LEED Silver Certification from the U.S. Green Building Council for the Terminal 2 Renovation. Tenants of leaseholds exceeding 5000 square feet shall obtain LEED certification for Commercial Interiors from the U.S. Green Building Council. Tenants of leaseholds less than 5000 square feet are encouraged but are not required to pursue certification. All Tenants are obligated to comply with Sustainable Performance Goals as outlined in the T2 Concessions Design Guidelines.

#### **3. RIGHTS OF WAY**

The Airport will provide right-of-way to those Tenants whose leased premises lie above or below occupied or restricted space to accommodate Tenant's mechanical equipment and grease exhaust system.

## **San Francisco International Airport Tenant Work Letter - Terminal 2**

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### **B. BUILDING SYSTEMS**

#### **1. PLUMBING**

**General.** The Tenant is responsible for extending the sanitary and/or food service waste lines from the designated point(s) of connection as necessary, including any floor penetrations. All floor penetrations must be imaged by an Airport approved imaging method (i.e. x-ray or sonograph) at Tenant's sole cost prior to core drilling.

##### **A. DOMESTIC COLD WATER**

**General.** Potable cold water will be available primarily through overhead piping to Food and Beverage Tenants and select other Tenant locations in Terminal 2. All Tenant water usage is metered by the Airport. Tenant is responsible for ordering and purchasing an adequately sized water meter through the Airport Plumbing Shop. Tenant's domestic water system must be chlorinated and approved prior to connection to the Airport's water system. Hot water shall be provided by the Tenant.

**Airport's Work.** The Airport will provide 1-1/2" domestic cold water service to the demised premises terminated at a gate valve for Tenant's exclusive use.

**Tenant's Work.** Tenant shall extend water service into the demised premises as needed.

##### **B. SANITARY SEWER**

**General.** Sanitary Sewer is available to Food and Beverage Tenants and select other Tenant locations in Terminal 2.

**Airport's Work.** The Airport will provide a 4-inch sanitary sewer line below the slab within the confines of demised premises designated to receive sanitary sewer service. The Airport will also provide a 3-inch vent pipe within the demised premises for Tenant's use.

**Tenant's Work.** Tenant shall tie into sanitary sewer stub and vent stub.

##### **C. GREASE WASTE**

**General.** Terminal 2 will have a grease waste system that consists of an underground grease waste interceptor. Grease waste will be serviced by Airport contracted provider.

**Airport's Work.** The Airport will provide an underground grease waste interceptor and grease waste lines will be stubbed out below those facilities designated as Quick-Serve, Fast Food, or Casual Dining / Bar uses.

**Tenant's Work.** For Tenants that produce grease waste, Tenants shall connect waste lines from kitchen sinks to the grease waste system.

## San Francisco International Airport Tenant Work Letter - Terminal 2

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### D. NATURAL GAS

**General.** Natural gas will be provided to Tenant locations designated as Quick-Serve, Fast Food, or Casual Dining / Bar in Terminal 2. Food and Beverage uses designated as Specialty Coffee or Café will not have gas service available.

This system is designed to support up to 1,500,000 btu/hr at 0.25 psig. The natural gas system operates at 7" water column or 0.25 psig pressure and is available at Tenant's lease line. Tenant gas usage is metered by the Airport

**Airport's Work.** The Airport will provide an adequately sized gas service from the Airport gas distribution manifold and meter to pre-designated leaseholds. The stub for gas service will be within the confines of the leased premises below the slab.

**Tenant's Work.** For Tenants receiving gas service, Tenants shall connect to stub within Tenant's leasehold.

### 2. FIRE SPRINKLER

**General.** Terminal 2 will have a "wet type" Fire Sprinkler System complying with the requirements of the Underwriters Laboratory, Factory Mutual and the Airport Fire Marshall. Fire sprinkler supply is available at Tenant's lease line.

**Airport's Work.** The Airport will provide an adequately sized fire sprinkler main, lateral or riser to the demised premises. The Airport may install normal hazard occupancy fire sprinkler piping in the demised premises prior to Tenant's work. The Tenant may use Airport installed piping if appropriate for Tenant sprinkler needs.

**Tenant's Work.** Tenant shall install a hydraulically calculated fire sprinkler system throughout the leased premises, reviewed and approved by the Airport Fire Marshal. Sprinklers shall be concealed or flush pendant quick response type heads. Tamper switches shall be provided for all valves normally in the open position and shall be PPDT self-storing type devices. All components of the fire sprinkler system shall be UL listed and comply with the requirements of Factory Mutual.

### 3. HVAC SYSTEMS & CONTROLS

**General.** Terminal 2 and Boarding Area D are serviced by a central heating, ventilation and air conditioning (HVAC) system. The system is a variable volume conditioned air system fed from multiple air handlers, return air shall have transfer air duct from each tenant space to ceiling return air plenum. The system supply air allowance is 1 cfm ± per square feet. Tenant spaces shall be designed for overhead supply air system (mixing ventilation) or for displacement ventilation depending on location within the Terminal (refer to utility point of connection drawings). Hot Water piping is available for re-heat coils at temperatures from 160° to 180°F.

## San Francisco International Airport Tenant Work Letter - Terminal 2

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**Airport's Work.** The Airport will provide points of connection to the Airport's central heating ventilation and air-conditioning (HVAC) system ductwork for supply air. The Airport will also provide points of connection to the hot and cold water supply at gate valves located within the demised premises.

**Tenant's Work.** Tenant will connect Tenant's HVAC system at the designated location(s) of the base building's conditioned supply air duct system and extend system as necessary throughout the leased premises providing necessary controls to maintain proper temperature in the space. Should Tenants need additional tempered air beyond the capacity of the base building system, Tenants must install their own supplemental roof top equipment. The Tenant is responsible for providing make-up air system interlocked with the Tenant's grease exhaust system so that the exhaust system cannot operate without the make-up air system operating. To control odor migration, the make-up air system is to be designed such that the make-up air quantity plus outside air capacity of the Tenant's HVAC system equals 80 percent of the exhaust air quantity. The Tenant's premises are to be 0.05" water column negative pressure with respect to the terminal or concourse area. Tenant's mechanical equipment shall be sound and vibration attenuated. The Tenant shall prepare an Air Balance Report for its mechanical systems as part of the required BICE permit closeout submittals. Tenant is required to use the base building air balancing subcontractor.

### A. GREASE EXHAUST

**General.** Where required, Food and Beverage Tenants shall install a grease exhaust system.

**Airport's Work.** The Airport will work with Tenants to determine an appropriate location for Tenant's roof vent. The Airport will provide a right-of-way, when necessary, to pass through occupied space above Tenant's demised premises.

**Tenant's Work.** Where required, Tenant will install a grease exhaust system that complies with NFPA 96, CBC and CHC requirements, including hood design, duct design, equipment mounting requirements and fire extinguishing system. The hoods must be UL rated, IR approved capable of capturing 90% of the grease from the exhaust air at the hood. As part of the BICE permitting process, the system manufacturer must warrant in writing that the proposed system will extract, at a minimum, 90% of the air laden grease prior to the issuance of a building permit.

**NOTE:** In certain circumstances where heavy grease odors become problematic, the Airport may choose to install an automated grease filter cleaning system, such as a "Smog Hog". If this equipment is deemed necessary, the Airport will install the system and the Tenant will be responsible for the maintenance of the system. The Airport retains the right to mitigate a Tenant's grease exhaust up to and including installation and maintenance of such a system. The Airport will then charge the Tenant for necessary maintenance.

### 4. ELECTRICAL

## San Francisco International Airport Tenant Work Letter - Terminal 2

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**General.** Terminal 2 will have 277/480v, 3 phase, 4 wire electrical service.

**Airport's Work.** The Airport will provide power from the Airport's main switchboard to a Tenant metering panel located in an Airport electrical room. The Airport will provide an empty feeder conduit (2-inch) with pull string from the Tenant metering panel to the demised premises terminating at the Tenant's lease line.

**Tenant's Work.** Tenant shall install a complete electrical distribution system from the Tenant metering panel utilizing the conduit provided by the Airport. Tenant's work includes the installation of an electrical sub-meter in the Tenant metering switchboard, installed by the Airport Electrical Shop at Tenant's expense. Tenant's work shall encompass the procurement and installation of all circuit transformers, connections, and any other work required to properly connect metering equipment, including the installation of a ground fault circuit breaker.

The Tenant shall provide all electrical information on proposed Tenant equipment to BICE to verify the actual load with the available service. Tenants will be allowed a connected load of 72 watts per square foot maximum in food preparation areas and 15 watts per square foot maximum in seating areas.

The single point of connection electrical service characteristics for each Tenant space shall be rated at 277/480 Volt, 3 phase, 4 wire with a maximum of a 125 amp feeder circuit breaker in the Tenant metering switchboard. The Tenant may choose to transform the 480 volt service to another voltage. Tenant's 277/480 distribution panel, local service disconnect, transformer and all other electrical equipment (120/208 distribution panel, etc.) shall be located within the lease line as indicated on the Tenant's lease outline drawings.

Emergency electrical power will not be available for Tenants use. Emergency lighting shall be designed using devices approved under the applicable codes.

Based upon the overall electrical requirements of the lease space, the maximum size breaker of 125 amp at 277/480V should be sufficient. However, if Tenant requires electrical service greater than noted above, Airport staff will work with the Tenant's designers on a case-by-case basis to provide the capacity required. All electrical equipment and associated work shall be provided by the Tenant.

### 5. FIRE ALARM

**General.** Terminal 2 and Boarding Area D will have a fire alarm system that covers the base building and leased spaces in compliance with applicable codes.

**Airport's Work.** The Airport will install empty conduits with pull strings from the base building Fire Alarm System located in the Tenant Wiring Closet to the demised premises.

**Tenant's Work.** Tenants shall provide a fire alarm terminal box inside their premises and connect all required fire alarm devices to allow for Airport monitoring and

## San Francisco International Airport Tenant Work Letter - Terminal 2

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control functions of both the Airport's and the Tenant's fire alarm system. Tenant is required to use the base building fire alarm subcontractor for all tie-ins to the base building fire alarm system. Tenants shall meet interim fire alarm requirements and conditions per TIG until Tenant's system is tied in to the base building fire alarm system.

### 6. TELECOMMUNICATIONS & DATA

**General.** The Airport's Information Technology and Telecommunication Department (ITT) provides a multitude of services via its extensive telecommunications and data services infrastructure network. The ITT offerings range from basic voice services and equipment leases to high-speed DS1 to OC12 data infrastructure transport connections, all with 24x7x365 full help desk support

For all Tenant space voice and data services additions or changes contact the Airport ITT Provisioning Group at 650-821-HELP (4357) option 1 or [sfohelpdesk@flysfo.com](mailto:sfohelpdesk@flysfo.com).

**Airport's Work.** The Airport will install an empty conduit with pull string from the demised premises to the designated Tenant Wiring Closet (TWC).

**Tenant's Work.** Tenant is responsible for the installation of their Telecommunication and Data System from the designated Tenant Wiring Closet utilizing the Airport-provided conduit and throughout the leased premises. Any necessary equipment must be housed within the leased premises. General technical recommendations on Voice and Data Cabling at SFIA:

- a. Copper Feeder Cable from the Tenant space for Voice and Data Service: the Tenant is recommended to furnish and install a single 25 pair (or greater) copper feeder cable, inside of a 2" (or greater) conduit, from the Airport TWC (Tenant Wiring Closet) to a backboard located inside of the Tenant space.
- b. The 25 pair cable inside of the Airport TWC will need to be terminated on a 110 style termination block by the Tenant. The location of where the Tenant can terminate their feeder cable inside of the Airport's TWC will be designated by the Airport ITT Provisioning Department. Inside of the Tenant's space, it is recommended that the feeder cable be terminated on a 66 or 110 style termination block. The Tenant shall install the termination block on a  $\frac{3}{4}$ " plywood backboard.

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

**Coaxial Cable for Cable TV Service:** If the Tenant requires Cable TV Services inside of their space, they will need to install the following to get service

## **San Francisco International Airport Tenant Work Letter - Terminal 2**

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**from Comcast (which is the sole provider of CATV at the Airport at this time). Inside of the same 2" (or greater) conduit that is installed for the copper feeder cable back to a designated Airport TWC, the Tenant will need to furnish and install a single RJ-11 Coaxial Cable to a backboard that is located inside of the Tenant space.**

**For any new services or changes, the Tenant needs to provide the following Electrical Drawing information to ITT Provisioning:**

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

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

**General.** The Airport is required by city ordinance to achieve a solid waste recycling rate of 75% by 2012 and 100% by 2020. Tenants are required to cooperate with the Airport to maximize the rate of solid waste recycling and source separation.

**Airport's Work.** The Airport will supply specially designed solid waste containers for depositing paper, bottles and cans, and general trash in the public areas of the terminal including Tenant public areas. The Airport will provide waste containers for public disposal of food waste and compostable serviceware in the vicinity of Food and Beverage leaseholds.

**Tenant's Work.** Tenants are required to collect the solid waste generated in back offices in containers designated for paper, bottles& cans, and general trash and deposit the content of each container in the designated bins at collection areas. All Food and Beverage Concessions are required to collect food waste and compostable serviceware in separate containers and deposit the contents in designated compostable materials bins at collection areas.

### **8. COOKING OIL WASTE**

Terminal 2 will have wall mounted cooking oil storage tanks serviced under contract to the Airport. Food and Beverage tenants are required to purchase model 2500C oil caddy from Darling International to transport cooking oil waste from their kitchens to the storage tanks. Caddies are available from Darling International at 800-486-0101 extension 8253, or <http://www.darlingii.com/UsedOilStorage.aspx>.

## **C. TENANT LEASEHOLD DESIGN AND CONSTRUCTION**

### **1. GENERAL**

Tenant shall design, engineer and construct, at its sole expense, all improvements and alterations necessary for Tenant to conduct the Permitted Use in the Premises, in accordance with all applicable Laws, Codes and other requirements.

## San Francisco International Airport Tenant Work Letter - Terminal 2

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Any work not specifically described as the Airport's work shall be performed by Tenant at the sole expense of Tenant without reimbursement or other compensation from the Airport. Workshops and meetings are delineated herein that will provide information about the process, criteria and schedule that should enable Tenants and their Consultants to accomplish their responsibilities in a timely, cost effective manner. It is the Tenant's responsibility to manage their project, consultants and contractors. Attendance at all workshops and meetings is mandatory.

### 2. DESIGN

**Plan Development and Approvals.** The Tenant shall engage architectural/engineering professionals licensed by the State of California, experienced in food, retail or other concession service design to prepare Tenant's leasehold improvement plans. Tenant and Tenant's design professional shall meet with the Terminal 2 base building architect to understand design intent. The Tenant is responsible for obtaining all necessary approvals including Airport Design Review Committee (DRC) design approval, building permit issued by Bureau of Inspection and Code Enforcement (BICE), and a Health permit issued by the San Mateo County Environmental Health Department when required. BICE will not accept an application for a building permit without prior design approval by the Airport's DRC.

- a. **Lease Outlines, Point of Connection, and Base Building Drawings.** The Airport will prepare and distribute Tenant Lease Outline Drawings and Point of Connection Drawings in AutoCAD format to enable Tenant's design consultants to prepare Tenant's leasehold improvement plans.
- b. **Tenant Verification of Existing Conditions.** Tenant shall physically survey the demised premises at the earliest opportunity after signing of Tenant Lease to verify existing conditions and acknowledge the results in writing on an Airport-provided form.
- c. **Design Review and Permitting Workshop.** For Concessions Tenants, Revenue Development and Management Property Manager will host an informational workshop to provide insight into the DRC Design Review and BICE Permitting process. The presentation includes a period for questions and answers.
- d. **Design Review Meetings.** Tenants shall complete the design review process in a timely manner allowing Tenant to start construction in time to be operational upon opening day of Terminal 2. Airport will provide Tenant with estimated opening date upon signing of Tenant's lease and will inform Tenant in writing of any changes to said date. Design review steps include but are not limited to the following:
  - i. **Base Building Coordination.** Upon signing of tenant lease, Tenant and Tenant's designer shall meet with base building architect to discuss design integration of Tenant's leasehold with base building design. Upon completion of schematic review and upon 50% completion of construction documents, Tenant shall submit two copies (half size is acceptable) of

## San Francisco International Airport Tenant Work Letter - Terminal 2

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plans for T2 Project Manager review for coordination with base building systems and verification that Tenant has met project sustainability requirements described in the Concessions Design Guidelines.

- ii. **DRC Approval.** Upon completion of Tenant's schematic leasehold design, Tenant shall submit one set of plans for review by Revenue Development and Management (RDM) property manager. Property manager will review plans to ensure Tenant's design meets space requirements and Permitted Use as defined in Tenant's Lease. If plans meet Lease requirements, Property Manager will schedule a Preliminary Review with the DRC. Tenant shall submit five copies of plans for Preliminary and subsequent DRC reviews. Full material boards, renderings, plans and elevations are required for DRC meetings. Additional DRC reviews may be required to obtain final design approval. In the event the Tenant needs to change the design once DRC approval has been given, the Tenant must return to DRC for approval of any changes, including substitutions of materials.
- e. **BICE Review and Permitting.** Tenant shall submit complete construction documents to BICE for review and permitting. BICE will review Tenant's plans for conformance with local, state and federal code requirements as defined in Part 1 A. Governing Codes. Upon receipt of plan check comments from BICE, Tenant shall respond to comments and submit revised drawings to BICE for a second review. Upon satisfaction of BICE reviews and requirements, Tenant will be issued a Building Permit. Construction inspection requirements will be defined in the Building Permit.
- f. **San Mateo County Health Permit.** Food and Beverage Concessions shall submit an application to the County of San Mateo for a Health Permit, concurrent with BICE review. San Mateo County Health Permit requirements and processes can be found at [www.co.sanmateo.ca.us](http://www.co.sanmateo.ca.us).

### 3. CONSTRUCTION

- a. **Notice That Premises Are Ready For Tenant's Work.** The Airport, upon completion of the Airport's work, shall provide written notification to Tenant that the demised premises are ready for Tenant's Work. Tenant and Tenant's contractor will physically survey the premises with a representative of the Airport and acknowledge in writing that the space is acceptable.
- b. **Tenant Verification of Existing Conditions.** Upon notification that the Premises are ready for Tenants' Work per Section A, Part 2, Tenant shall physically survey the premises with an Airport representative and acknowledge in writing that the space is acceptable.
- c. **Construction Security Deposit.** Tenant's contractor shall provide a security deposit in the amount of \$20,000.00 prior to the issuance of a building permit. Tenant's contractor will be charged for any damages or other work that may be

## San Francisco International Airport Tenant Work Letter - Terminal 2

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deemed necessary to ensure the safe orderly operation of the Airport and the charges will be deducted from Contractor's security deposit. The security deposit will be returned to Tenant's Contractor upon completion of the work, less any substantiated claims.

- d. **Cooperation with Base Building Contractor.** The Tenant and other entities hired by the Tenant including Tenant's contractor and design professionals must cooperate with the base building contractor at all times. The Tenant's contractor must coordinate with the base building contractor for all construction activities, including overtime work. The Tenant's contractor must accommodate the base building contractor during the installation of any time intensive work, such as the installation of terrazzo flooring. Access to Tenant space may be limited or restricted at times. The Tenant's contractor is responsible for proper Tenant trash and debris disposal.
- e. **Preconstruction Meeting.** Tenant and Tenant's contractor shall attend a preconstruction meeting on site prior to beginning construction.
- f. **Construction Coordination Meetings.** Tenant and/or Tenant's contractor is required to attend weekly construction coordination meetings to ensure coordination of Tenant work with the Base Building contractor's work.
- g. **Tenant Construction Schedule.** Tenant shall submit a construction schedule at the Preconstruction meeting. Tenant shall submit schedule updates to the T2 Project Manager on a monthly basis until completion of Tenant Work. Failure to submit schedule and schedule update will result in a fine as defined in Tenant's Lease Agreement.
- h. **Barricades.** Upon receipt of notification from the Airport that the premises are ready for Tenant's Work, Tenant shall install a construction barricade along openings at the lease line. Tenant shall coordinate with base building contractor prior to installation of the barricade. Tenant is responsible for maintenance, demolition, and disposal at completion of Tenant work.
- i. **Demolition, Cutting, Patching, and Fireproofing**
  - i. **Airport's Work.** The Tenant's premises will be delivered with bare demised metal stud walls and/or curtain walls, and a contiguous, monolithic concrete floor, broom cleaned. There may be integral base building systems including but not necessarily limited to mechanical ductwork, electrical or telecommunication conduits, hot and cold-water piping and rain water leaders within the demised premises that will become part of the existing conditions.
  - ii. **Tenant's Work.** Tenant will notify the base building contractor at least one week in advance of any demolition, cutting and or patching that may be necessary outside the confines of the leased premises to facilitate

## San Francisco International Airport Tenant Work Letter - Terminal 2

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Tenant's construction. The Airport's designated roofing contractor will perform the repair of any Tenant contractor's roof penetrations at the sole cost of Tenant. The Tenant is responsible for maintaining the integrity of any required fire calking and fireproofing within the confines of the leased premises that may be part of the base building structure. Tenant is responsible for keeping the exterior floor and areas adjacent to the construction barricade clean and free of dust and debris.

- j. **Power Shutdowns.** Any electrical power outage necessary to install electrical equipment shall be coordinated with the base building contractor. Requests shall be made in writing to the Airport's representative five business days in advance of the required outage date. Tenant shall use an Electrical Shutdown Request Form 23 AED, found in the TIG.
- k. **Demising Walls**
  - i. **Airport's Work.** The Airport will construct all demising walls that separate the Premises from adjoining tenancies or other Airport space. The wall will be constructed of 6" steel studs and fire stopping at the top and bottom track. All other required fire stopping shall be performed by the Tenant. Tenant at Tenant's expense will repair any damage to the demising wall assembly resulting from Tenant construction.
  - ii. **Tenant's Work.** Finished demising walls must meet the requirements of 1-hour construction and extend from the floor to the roof deck. Any wall finishes and furnishings must meet the flame-spread requirements as defined in Table 8B of the California Building Code (CBC).
- l. **Ceilings and Access Doors.** Tenant shall install finished ceilings throughout the premises. Tenant is responsible for providing access to base building systems that may exist within the demised premises including any necessary access doors.
- m. **Floor Finishes.** Tenant shall install finish flooring throughout the leased premises. Tenant shall install a waterproof membrane under Tenant's finish flooring in all areas that have water service e.g. kitchens, bars, etc. Tenants' finished floor shall conform to adjoining Airport floor finishes.

END OF DOCUMENT

**AMENDMENT NO. 1 TO  
TERMINAL 2 NEWSSTANDS, COFFEE AND SPECIALTY STORE  
LEASE NO. 10-0232  
AT SAN FRANCISCO INTERNATIONAL AIRPORT**

THIS AMENDMENT NO. 1 TO TERMINAL 2 NEWSSTANDS, COFFEE AND SPECIALTY STORE LEASE NO. 10-0232 ("Amendment No. 1") AT THE SAN FRANCISCO INTERNATIONAL AIRPORT, dated as of DEC 16 2015 2012 for reference purposes only, is entered by and between the between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("City"), acting by and through the SAN FRANCISCO AIRPORT COMMISSION ("Airport"), as landlord, Host International, Inc., as tenant ("Tenant").

**RECITALS**

A. The Airport Commission awarded Lease No. 10-0232, ("Lease") for certain retail spaces located at the Airport in Terminal 2 to Tenant on July 6, 2010.

B. Airport and Tenant have agreed to modify the definition Lease Year pursuant to Lease Section 4, adjust the Lease Summary accordingly and other related provisions, on the terms and conditions set forth below.

C. All capitalized terms not otherwise defined herein shall have the same meaning given to them in the Lease.

NOW, THEREFORE, in consideration of the foregoing and for valuable consideration the sufficiency of which is hereby acknowledged, City and Tenant hereby agree to amend the Lease as follows:

**AGREEMENT**

1. **Recitals.** The foregoing recitals are true and correct and are incorporated herein by this reference as if fully set forth herein.

2. **Effective Date.** The effective date of this Amendment No. 1 and the modifications to the Lease contained in this Amendment No. 1 shall be the date upon which the Tenant and Airport Director signs this Amendment 1.

3. **Lease Summary.** Lease Year is written as follows: "The period commencing on the Rent Commencement Date and terminating on December 31 of the year in which the Rent Commencement Date occurs, and each subsequent 12-month period except that the final Lease Year is less than 12 months."

4. **Article 4.3, Rent, Adjustments to Minimum Annual Guarantee.** The second paragraph is rewritten as follows: "Notwithstanding anything to the contrary herein, in no event

will the Minimum Annual Guarantee for any Lease Year of the Term be lower than the Minimum Annual Guarantee with respect to the prior Lease Year. The first MAG Adjustment Date shall occur on January 1st of the year following the year in which the Rent Commencement Date is. For example: If the Rent Commencement Date occurs on March 1, 2010, the first MAG Adjustment Date shall occur on January 1, 2011. Subsequent MAG adjustments shall occur every January 1st of each year thereafter.”

5. **Entire Agreement.** This Amendment No. 1 contains all of the representations and the entire agreement between the parties with respect to the subject matter of this agreement. Any prior correspondence, memoranda, agreements, warranties, or written or oral representations relating to the subject matter of the Amendment No. 1 are superseded in their entirety by this Amendment No. 1. No prior drafts of this Amendment No. 1 or changes between those drafts and the executed version of this Amendment No. 1 shall be introduced as evidence in any litigation or other dispute resolution proceeding by any party or other person, and no court or other body should consider such drafts in interpreting this Amendment No. 1.

6. **Miscellaneous.** This Amendment No. 1 shall bind, and shall inure to the benefit of, the successors and assigns of the parties hereto. This Amendment No. 1 is made for the purpose of setting forth certain rights and obligations of Tenant and the Airport, and no other person shall have any rights hereunder or by reason hereof as a third party beneficiary of otherwise.

Each party hereto shall execute, acknowledge, and deliver to each other party all documents, and shall take all actions, reasonably requested by such other party from time to time to confirm or effect the matters set forth herein, or otherwise to carry out the purposes of this Amendment No. 1. This Amendment No. 1 may be executed in counterparts with the same force and effect as if the parties had executed one instrument, and each such counterpart shall constitute an original hereof. No provision of this Amendment No. 1 that is held to be inoperative, unenforceable or invalid shall affect the remaining provisions, and to this end all provisions hereof are hereby declared to be severable. Time is of the essence of this Amendment No. 1. This Amendment No. 1 shall be governed by the laws of the State of California. Neither this Amendment No. 1 nor any of the terms hereof may be amended or modified except by a written instrument signed by all the parties hereto.

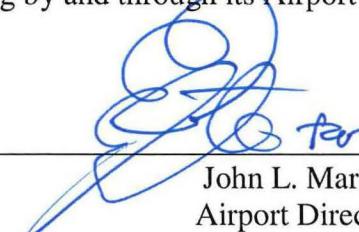
7. **Full Force and Effect.** Except as specifically amended herein, the terms and conditions of the Lease shall remain in full force and effect.

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IN WITNESS WHEREOF, the Airport and the Tenant execute this Amendment No. 1 to the Lease as of the last date set forth below.

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



John L. Martin  
Airport Director

18 CN

**TENANT:** Host International, Inc.  
a Delaware Corporation



By: \_\_\_\_\_  
Name: RICHARD KUNKLE  
Title: Authorized Signatory

AUTHORIZED BY AIRPORT  
COMMISSION

Resolution No. 11-0296

Adopted: Dec. 6, 2011

Attest:   
Secretary  
Airport Commission

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

By:   
Deputy City Attorney



**AMENDMENT NO. 2 TO SFO CONCESSION LEASE (RETAIL)**  
**[COVID-19 Emergency Rent Relief Program]**

This LEASE AMENDMENT NO. 2 (this “**Amendment**”) is dated as of the Effective Date (as defined below) and entered into by and between World Duty Free Group North America, LLC (“**Tenant**”) and City and County of San Francisco, acting by and through its Airport Commission (“**City**” or “**Airport**”).

**RECITALS:**

A. Tenant and City are parties to Terminal 2 Newsstand, Coffee, and Specialty Store Lease – Lease No. 10-0232 (as amended, the “**Lease**”). The Lease was previously amended as follows:

(i) Amendment No. 1 dated December 6, 2011, authorized by Commission Resolution No. 11-0296 and Board of Supervisors Resolution No. 489-15.

B. The parties desire to modify the Lease to address the devastating financial impacts of the COVID-19 pandemic and the dramatic and rapid reduction in enplanements at the Airport, resulting in the shutdown of many of the Airport concessions. Modifying the Lease to forgive certain payments due under the Lease will improve the financial feasibility of the Lease and preserve Tenant’s ability to continue operations at the Airport, which is of considerable value to both parties. Providing such rent relief is also consistent with the written guidance provided all airport sponsors by the Federal Aviation Administration encouraging temporary rent abatements and minimum annual guarantee waivers.

C. On October 6, 2020, by Resolution No. 20-1080 (the “**Commission Resolution**”), the Airport Commission (“**Commission**”) adopted the COVID-19 Emergency Rent Relief Program (the “**COVID-19 Rent Relief Program**”) which provides for the rent relief set forth in this Amendment. On January 5, 2021, by Ordinance No. 5-21, the San Francisco Board of Supervisors authorized the Airport to implement the COVID-19 Rent Relief Program (the “**Rent Relief Ordinance**”). The Rent Relief Ordinance authorizes the Airport Director to enter into this Amendment without further approval by the Board of Supervisors under Charter Section 9.118 and without modifying the Lease to include Administrative Code and Environmental Code Requirements that were enacted since the most recent modification to the Lease.

D. This Amendment also provides the State of California accessibility disclosures required by California Civil Code Section 1938.

E. All capitalized terms used in this Amendment and not otherwise defined have the meaning provided in the Lease.

NOW, THEREFORE, in consideration of the foregoing and for valuable consideration the sufficiency of which is hereby acknowledged, City and Tenant hereby agree to enter into this Amendment as follows:

**AGREEMENT:**

**1. Recitals.** The foregoing recitals are true and correct and are incorporated herein by this reference as if fully set forth in this Amendment.

**2. Effective Date.** This Amendment shall be deemed effective upon the date of execution by the Airport as set forth below (the “**Effective Date**”).

**3. COVID-19 Rent Relief Amounts.** Upon the satisfaction of the COVID-19 Rent Relief Program Requirements (as defined below) no later than August 31, 2021 (the “**COVID-19 Rent Relief Program Deadline**”) or such later date as determined by the Airport Director in his reasonable discretion in accordance with Section 8 of this Amendment, Tenant’s obligation to pay the following amounts under the Lease will be entirely waived and forgiven (such amounts, “**COVID-19 Rent Relief Amounts**”):

(a) for the month of March 2020, payments of Minimum Annual Guarantee only, and Percentage Rent shall remain due and payable (and if such Percentage Rent remains unpaid as of the Effective Date, then such amount shall be paid no later thirty (30) days from the Effective Date);

(b) for the months of April and May 2020, all payments of Minimum Annual Guarantee and Percentage Rent, all payments for fees and utilities (including electricity, water/sewage, gas and ITT charges), whether under the Lease or separate permit;

(c) for the period commencing April 1, 2020 through December 31, 2020, all payments for Promotional Fees, F&B Infrastructure Fees, F&B Food Court Infrastructure Fees, Tenant Infrastructure Fees, Food Court Cleaning Fees, Storage Space Fees, and refuse/garbage fees, to the extent such fees are applicable to Tenant, whether under the Lease or separate permit.

**4. COVID-19 Rent Relief Program Requirements.**

(a) In order to receive the benefit of the COVID-19 Rent Relief Amounts under this Amendment, Tenant must have satisfied each of the following conditions (the “**COVID-19 Rent Relief Program Requirements**”) and satisfy the Rent Relief Reporting Requirements (as set forth in Section 5(b) below) no later than the COVID-19 Rent Relief Program Deadline:

(i) if Tenant ceased operation due to the COVID-19 pandemic, then Tenant must reopen and recommence operations and continue to operate at the Airport in conformance with the schedule provided by the Airport, as the schedule may be modified by the Airport Director from time to time, in his sole and absolute discretion;

(ii) Tenant must remain in good standing under the Lease and not in default of any obligations under the Lease or any other agreements between

Tenant and City (including the payment of all rent and other obligations, other than the COVID-19 Rent Relief Amounts), beyond any applicable notice and cure periods, and not be in any unresolved dispute with the City, in each case at all times prior to and upon the COVID-19 Rent Relief Program Deadline, as determined by the Airport Director in his sole and absolute discretion;

(iii) Tenant must expend at least 18% of the total aggregate amount of Minimum Annual Guarantee waived under this Amendment on payroll costs, as defined in the Coronavirus Aid, Relief and Economic Security Act of 2020, or the “CARES Act” (the “**Rent Relief Payroll Requirement**”); and

(iv) Tenant must participate in the SFO employee rehiring program, which provides priority to rehiring of Tenant’s employees laid off as a result of the COVID-19 pandemic (the “**Tenant Employee Rehiring Requirement**”).

(b) In order to satisfy the Rent Relief Payroll Requirement and the Tenant Employee Rehiring Requirement, Tenant must comply with the requirements and complete the documentation as and when required (including, for the avoidance of doubt, monthly reporting on payroll and rehiring efforts), as set forth on **Exhibit A** attached hereto (the “**Rent Relief Requirement Reporting**”).

**5. Failure to Satisfy Requirements of COVID-19 Rent Relief Program.** In the event Tenant shall fail to satisfy any of the COVID-19 Rent Relief Requirements as of the COVID-19 Rent Relief Program Deadline (or such earlier date that it is evident that Tenant will be unable to satisfy such requirements even with the passage of time (i.e. Tenant fails to reopen for business when required)), Tenant shall remit to City all amounts of COVID-19 Rent Relief Amounts that would have otherwise been waived and forgiven under the COVID-19 Rent Relief Program as set forth in this Amendment, no later than thirty (30) days of written demand from Airport.

**6. Credit for Rent Relief Amounts Already Paid; Credit Date.** To the extent any waived and forgiven amounts under this Amendment have already been paid by Tenant, such amounts shall only be credited towards future obligations of Rent and related fees due from Tenant (for the avoidance of doubt, only upon satisfaction of the COVID-19 Rent Relief Requirements, as set forth below). Upon satisfaction of the COVID-19 Rent Relief Program Requirements, all Rent and other fees waived under this Amendment will be credited towards Tenant’s account, contemplated to occur on or after the COVID-19 Rent Relief Program Deadline.

**7. Replacement of COVID-19 Rent Deferral Program.** The COVID-19 Rent Relief Program set forth in this Amendment replaces the terms of all rent deferral and/or forbearance previously offered to Tenant, including the forbearance of rent and other fees set forth in the letter from the Airport Director to all concession tenants dated March 18, 2020 (the “**COVID-19 Rent Forbearance Letter**”). In the event that Tenant shall execute this Amendment and enter into the COVID-19 Rent Relief Program, but shall subsequently fail to meet the COVID-19 Rent Relief Program Requirements by the COVID-19 Rent Relief Program

Deadline, then the terms of the COVID-19 Rent Forbearance Letter shall remain in effect, and Tenant shall remit the COVID-19 Rent Relief Amounts in accordance with Section 5 of this Amendment.

**8. Adjustments to COVID-19 Rent Relief Program.** Tenant acknowledges and agrees that in accordance with Commission Resolution and the Rent Relief Ordinance, the Director may make necessary and appropriate adjustments to the COVID-19 Rent Relief Program to ensure that it: (i) is implemented in a consistent manner and fairly applied to all Airport concessionaires; and (ii) continues to meet the operational requirements of the Airport and the goals of the Commission set forth in establishing the COVID-19 Rent Relief Program. Further, the Director may implement in his discretion modifications to the COVID-19 Rent Relief Program necessitated by changes in applicable law, regulation or guidance (including, without limitation, FAA guidance), as the same may be amended from time to time. Notwithstanding the foregoing, consistent with the Commission Resolution and the Rent Relief Ordinance, the Director must seek further approval of the Commission for any material change to the terms and conditions of the COVID-19 Rent Relief Program or the financial relief being offered.

**9. Accessibility Disclosures.** California Civil Code Section 1938 requires commercial landlords to disclose to tenants whether the property being leased has undergone inspection by a Certified Access Specialist (“CASp”) to determine whether the property meets all applicable construction-related accessibility requirements. The law does not require landlords to have the inspections performed. Tenant is advised that the Premises have not been inspected by a CASp. A CASp may inspect the Premises and determine if it complies with all the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the Premises, City may not prohibit Tenant from obtaining a CASp inspection of the Premises for the occupancy or potential occupancy of Tenant, if requested by Tenant. City and Tenant will mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the CASp inspection fee, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises.

**10. No Other Modifications.** Except as otherwise expressly set forth above, the Lease remains unmodified and in full force and effect.

**11. Counterparts and Electronic Signatures.** This Amendment may be executed in multiple counterparts, each of which shall be deemed an original agreement and both of which shall constitute one and the same agreement. The counterparts of this Amendment may be executed and delivered by facsimile or other electronic signature (including portable document format) by either of the parties and the receiving party may rely on the receipt of such document so executed and delivered electronically or by facsimile as if the original had been received.

**[Remainder of Page Intentionally Left Blank]**

IN WITNESS WHEREOF, the parties have executed this Amendment as of the Effective Date set forth below.

**TENANT:**

World Duty Free Group North America,  
LLC,  
a Delaware limited liability partnership



By: \_\_\_\_\_  
Name: Roger Fordyce  
Title: CEO

Authorized by Commission Resolution No.  
20-0180 on October 6, 2020 and Ordinance  
No. 5-21 finally passed by the San Francisco  
Board of Supervisors on January 5, 2021.

Attest:



Secretary  
Airport Commission

**APPROVED AS TO FORM:**

DENNIS J. HERRERA,  
City Attorney

By:

  
Christopher W. Stuart  
Deputy City Attorney

**CITY:**

CITY AND COUNTY OF SAN  
FRANCISCO, acting by and through its  
Airport Commission

By: \_\_\_\_\_  
Name: Ivar C. Satero  
Title: Airport Director



**Effective Date (to be inserted by  
Airport only):** 3/26/21



## **COVID-19 Emergency Rent Relief Program for Airport Concession Operators Payroll and Rehiring Program Requirements (SFO Priority Rehire Program)**

SFO's Rent Relief Program supports the viability of concessionaires and addresses their employees' economic insecurity.

**To be eligible for the rent relief, each concessionaire is required to comply with the following payroll and rehiring requirements (known as the SFO Priority Rehire Program):**

- 1. Baseline Staffing and Payroll Information:** Within five (5) business days of a concessionaire's lease amendment execution, a baseline staffing and payroll report reflecting the period of December 2019 through the end of March 2020 must be submitted. This report will list employees on payroll during this period, employee contact information, date of hire, date of lay-off/furlough/separation, and employment occupation classification for each employee. **This needs to be submitted only once.**
- 2. Payroll Reports:** On a **monthly** basis, a complete record of payroll costs paid to every employee, including those in the baseline staffing information, must be submitted. \*Payroll reports are to include salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips); payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement; payment of state and local taxes assessed on compensation of employees; and for an independent contractor or sole proprietor, wage, commissions, income, or net earnings from self-employment or similar compensation. These reports are to be accompanied by a signed certifying statement (see attached).  
**Please submit your monthly payroll by the 15th of every month for the previous month.**
- 3. Summary of Hiring Activities and Expenditures:** On a **monthly** basis, submit the "SFO Priority Rehire Program Monthly Submittal Form" with answers to the re-hiring effort and payroll costs table and a signature certifying the submission of all supporting documentation. **Please submit the SFO Priority Rehire Program Monthly Questionnaire by the 15th of every month for the previous month.**

For assistance with hiring employees, please contact [community@flysfo.com](mailto:community@flysfo.com).

If any concessionaire that elects to participate in the Rent Relief Program fails to satisfy the requirements by August 31, 2021, then any amounts deferred under the Airport's COVID-19 Rent Deferral Program will become immediately due and payable and the concessionaire will be ineligible for all other benefits associated with the Rent Relief Program.

## Baseline Staffing and Payroll Report

CONCESSION/STOREFRONT	(ENTER HERE)
FILLED OUT BY	
E-MAIL	
PHONE NUMBER	

## Monthly Payroll Report

### Requirements:

1. Report format is at the discretion of the Tenant.
2. Report to include, on a monthly basis, a complete record of payroll costs paid to every employee, including those in the baseline staffing information, must be submitted.  
\*Payroll reports are to include salary, wages, commissions, or similar compensation; cash tips or the equivalent (based on employer records of past tips or, in the absence of such records, a reasonable, good-faith employer estimate of such tips); payment for vacation, parental, family, medical, or sick leave; allowance for separation or dismissal; payment for the provision of employee benefits consisting of group health care coverage, including insurance premiums, and retirement; payment of state and local taxes assessed on compensation of employees; and for an independent contractor or sole proprietor, wage, commissions, income, or net earnings.
3. These reports are to be accompanied by a signed certifying statement:

The foregoing is certified to be true and correct to the best of our knowledge and belief.

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Tenant Signature

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Date

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Concession Storefront

4. Tenant shall submit your monthly payroll by the 15th of every month for the previous month.

DATE: \_\_\_\_\_



CONCESSION/STOREFRONT: \_\_\_\_\_

### SFO Priority Rehire Program Monthly Questionnaire

Answer the following questions:

1.	a. How many employees did you have on payroll this month?  b. How many of these employees are from your baseline payroll?	
2.	a. How many employees did you recall or hire this month?  b. How many employees brought on this month are from your baseline payroll?	
3.	If you hired any new employees this month who were not part of your staffing from December 2019 to March 2020, how did you recruit those employees?	<input type="checkbox"/> SFO Priority Hiring Program <input type="checkbox"/> Other Recruitment Method: _____
4.	How much have you paid in payroll costs for this month?	
5.	How much have you paid in payroll costs since April 2020?	

Attach your monthly payroll records to your e-mail to [community@flysfo.com](mailto:community@flysfo.com).

Sign the following statement:

I, \_\_\_\_\_ (name), \_\_\_\_\_ (title) of \_\_\_\_\_ (leaseholder and "Tenant") hereby certify that the payroll statements and any other supporting documentation submitted for the month of \_\_\_\_\_ in connection with the consideration received by Tenant under the COVID-19 Emergency Rent Relief Program are true, correct and complete. I further hereby certify that I am an authorized representative of Tenant with all right, power and authority to deliver this certification on behalf of Tenant.

Tenant: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Phone: \_\_\_\_\_

E-mail: \_\_\_\_\_

Submit this form and your monthly payroll statement to [community@flysfo.com](mailto:community@flysfo.com)  
by the 15<sup>th</sup> of every month for the previous month.

Contact Jerrica Hau via e-mail [jerrica.hau@flysfo.com](mailto:jerrica.hau@flysfo.com) or via phone 650.821.1004 with any questions.

**AIRPORT COMMISSION**  
CITY AND COUNTY OF SAN FRANCISCO  
RESOLUTION NO. 20-0252

**APPROVAL OF AMENDMENT NO. 3 TO THE TERMINAL 2 NEWSSTANDS, COFFEE AND SPECIALTY STORES LEASE NO. 10-0232 WITH WORLD DUTY FREE GROUP NORTH AMERICA, LLP**

WHEREAS, on July 6, 2010 by Resolution No. 10-0232, the Airport Commission (Commission) awarded the Terminal 2 Newsstands, Coffee and Specialty Stores Lease to Host International Inc. (Host) for a term of ten years expiring on April 30, 2021 (Lease); and

WHEREAS, on December 6, 2011, by Resolution No. 11-0296, the Commission approved Amendment No. 1 to the Lease, which modified the definition of Lease Year under Lease Section 4; and

WHEREAS, on November 20, 2012, by Resolution No. 12-0263A, the Commission approved assignment of the Lease from Host to World Duty Free Group North America, LLP (WDFG); and

WHEREAS, on October 6, 2020, by Resolution No. 20-0180, the Commission adopted the COVID-19 Emergency Rent Relief Program for Airport Concession Tenants, which will be memorialized in Amendment No. 2 to the Lease; and

WHEREAS, Staff has determined that, due to the COVID-19 pandemic and the resulting severe decline in enplanements and concession traffic, commencing a new Request for Proposals process for this Lease would not be prudent because there would not be sufficient interest to conduct a strong competitive process; and

WHEREAS, extending the term of the Lease is necessary to avoid losing concessions, preserve customer service, and maintain revenue; now, therefore, be it

RESOLVED, that this Commission hereby approves Amendment No. 3 to the Terminal 2 Newsstands, Coffee and Specialty Stores Lease No. 10-0232 with World Duty Free Group North America, LLP, extending the term to June 30, 2023 with the condition that the Airport Director, at his sole and absolute discretion, may terminate earlier by providing six months' advance written notice; and, be it further

RESOLVED, that this Commission hereby directs the Commission Secretary to seek approval of Lease Amendment No. 3 from the Board of Supervisors pursuant to Section 9.118 of the Charter of the City and County of San Francisco.

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

*at its meeting of*

DEC 15 2020

  
Secretary



San Francisco International Airport

**MEMORANDUM**

December 15, 2020

20-0248

THROUGH

20-0253

DEC 15 2020

TO: AIRPORT COMMISSION

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

FROM: Airport Director

SUBJECT: Approval of Lease Amendments to Extend the Terms of One Business Service Lease and Five Retail Leases Negatively Impacted by the COVID-19 Pandemic

DIRECTOR'S RECOMMENDATION: APPROVE AMENDMENTS TO THE FOLLOWING SIX LEASES NEGATIVELY IMPACTED BY THE PANDEMIC AND NEARING EXPIRATION, EXTENDING THE TERMS THROUGH JUNE 30, 2023 OR EARLIER WITH SIX MONTHS' ADVANCE NOTICE, AND DIRECT THE COMMISSION SECRETARY TO FORWARD THE LEASE AMENDMENTS TO THE BOARD OF SUPERVISORS FOR APPROVAL: (1) AIRPORT AMENITIES AND BUSINESS SERVICES LEASE NO. 13-0202 WITH AIRPORT TRAVEL AGENCY, INC. (AIRPORT TRAVEL AGENCY); (2) BOARDING AREA F SPECIALTY STORE LEASE NO. 12-0086 WITH STELLAR PARTNERS, INC. (GREETINGS FROM SAN FRANCISCO); (3) BOARDING AREA E NEWSSTAND, A SMALL BUSINESS ENTERPRISE SET-ASIDE, LEASE NO. 13-0136 WITH SKYLINE CONCESSIONS, INC. (SKYLINE NEWS & GIFT); (4) TERMINAL 3 BOARDING AREA F GOURMET FOOD AND GIFT STORE LEASE NO. 10-0309 WITH MARILLA CHOCOLATE COMPANY, INC. (CALIFORNIA LIFESTYLE); (5) TERMINAL 2 NEWSSTANDS, COFFEE AND SPECIALTY STORES LEASE NO. 10-0232 WITH WORLD DUTY FREE GROUP NORTH AMERICA, LLP (STARBUCKS, M. FREDERIC, KIEHL'S, SUNSET NEWS, AND SF NEWS EXPRESS), AND (6) INTERNATIONAL TERMINAL MUSEUM/ GALLERY STORE LEASE NO. 10-0287 WITH SAN FRANCISCO MUSEUM OF MODERN ART (SFMOMA).

**Executive Summary**

One business service lease and five retail leases at the Airport are nearing the expiration of their terms, ranging from December 31, 2020 to May 31, 2021. Due to the COVID-19 pandemic and the severe downturn in enplanements and concession sales, Staff has determined that it would not be prudent to initiate competitive processes for replacing these tenants at this time, and recommends extending the terms of the six leases through June 30, 2023 with the condition that the Airport Director, at his sole and absolute discretion, may terminate earlier by providing six months' advance written notice to the tenants. Each tenant for which a lease extension is sought

THIS PRINT COVERS CALENDAR ITEM NO. 4

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED LARRY MAZZOLA ELEANOR JOHNS RICHARD J. GUGGENHIME EVERETT A. HEWLETT, JR. MALCOLM YEUNG IVAR C. SATERO  
MAYOR PRESIDENT VICE PRESIDENT

hereunder is also participating in the Covid-19 Emergency Rent Relief Program. That program, which is still in the Board of Supervisors' approval process, included rent and fee waivers and a requirement to expend a certain amount of the relief on payroll expense before August 31, 2021. The Covid-19 Emergency Rent Relief Program did not include lease extensions.

### **Background**

Due to the severe disruption to the global aviation industry caused by the COVID-19 pandemic, Airport staff has determined it would not be prudent to begin Request for Proposals processes for the following six leases (collectively, the Leases) that are nearing their expiration dates:

(1) Airport Amenities and Business Services Lease No. 13-0202 (Airport Travel Agency)

On September 17, 2013, by Resolution No. 13-0202, the Commission awarded the Airport Amenities and Business Services Lease to Airport Travel Agency, Inc. for a term of seven years. On October 6, 2020, by Resolution No. 20-0180, the Commission adopted the COVID-19 Emergency Rent Relief Program for Airport Concession Tenants, which will be memorialized in Amendment No. 1 to the Lease. The Lease expires on December 31, 2020.

(2) Boarding Area F Specialty Store Lease No. 12-0086 (Greetings from San Francisco)

On April 17, 2012, by Resolution No. 12-0086, the Commission awarded the Boarding Area F Specialty Store Lease to Avila Retail Development and Management, LLC (Avila) for a term of seven years, which expired on December 31, 2019. On August 7, 2018, by Resolution No. 18-0257, the Commission approved assignment of the Lease from Avila to Stellar Partners, Inc. (Stellar). On October 6, 2020, by Resolution No. 20-0180, the Commission adopted the COVID-19 Emergency Rent Relief Program for Airport Concession Tenants, which will be memorialized in Amendment No. 1 to the Lease. Stellar is currently operating under a month-to-month holdover tenancy.

(3) Boarding Area E Newsstand, A Small Business Enterprise Set-Aside, Lease No. 13-0136 (Skyline News & Gift)

On June 11, 2013, by Resolution No. 13-0136, the Commission awarded the Boarding Area E Newsstand Lease, A Small Business Enterprise Set-Aside, to Skyline Concessions, Inc. (Skyline) for a term of seven years. On October 6, 2020, by Resolution No. 20-0180, the Commission adopted the COVID-19 Emergency Rent Relief Program for Airport Concession Tenants, which will be memorialized in Amendment No. 1 to the Lease. The Lease expires on January 27, 2021.

(4) Terminal 3 Boarding Area F Gourmet Food and Gift Store Lease No. 10-0309 (California Lifestyle)

On October 5, 2010, by Resolution No. 10-0309, the Commission awarded the Terminal 3 Boarding Area F Gourmet Food and Gift Store Lease to Marilla Chocolate Company, Inc. (Marilla) for a term of seven years, which expired on April 30, 2018. Marilla then operated under a month-to-month holdover tenancy. On March 5, 2019, by Resolution No. 19-0044, the Commission approved Amendment No. 1 extending the term to December 31, 2019.

On December 3, 2019, by Resolution No. 19-0306, the Commission approved Amendment No. 2 to the Lease extending the term to May 31, 2020. Amendment Nos. 1 and 2 were issued due to the Terminal 3 West construction project, which impacted California Lifestyle. On October 6, 2020, by Resolution No. 20-0180, the Commission adopted the COVID-19 Emergency Rent Relief Program for Airport Concession Tenants, which will be memorialized in Amendment No. 3 to the Lease.

Due to public health orders, Marilla was required to be closed for the last 75 days of the Lease. The Airport is currently allowing Marilla to operate those final 75 days for an adjusted expiration date of January 31, 2021, notwithstanding Amendment No. 3 contemplated hereunder.

(5) Terminal 2 Newsstands, Coffee and Specialty Stores Lease No. 10-0232 (Starbucks, M. Fredric, Kiehl's, Sunset News, and SF News Express)

On July 6, 2010, by Resolution No. 10-0232, the Commission awarded the Terminal 2 Newsstands, Coffee and Specialty Stores Lease to Host International Inc. (Host) for a term of ten years. On December 6, 2011, by Resolution No. 11-0296, the Commission approved Amendment No. 1 to the Lease, which modified the definition of Lease Year under Lease Section 4. On November 20, 2012, by Resolution No. 12-0263A, the Commission approved assignment of the Lease from Host to World Duty Free Group North America, LLP (WDFG). On October 6, 2020, by Resolution No. 20-0180, the Commission adopted the COVID-19 Emergency Rent Relief Program for Airport Concession Tenants, which will be memorialized in Amendment No. 2 to the Lease. The Lease expires on April 30, 2021.

(6) International Terminal Museum/Gallery Store Lease No. 10-0287 (SFMOMA)

On September 7, 2010, by Resolution No. 10-0287, the Commission awarded the International Terminal Museum/Gallery Store Lease to San Francisco Museum of Modern Art (SFMOMA) for a term of ten years. On October 6, 2020, by Resolution No. 20-0180, the Commission adopted the COVID-19 Emergency Rent Relief Program for Airport Concession Tenants, which will be memorialized in Amendment No. 1 to the Lease. The Lease expires on May 31, 2021.

### Proposal

To avoid losing concession tenants during the pandemic-caused downturn, preserve customer service, and maintain revenue, Staff proposes extending the terms of the Leases, for a new expiration date of June 30, 2023, with the condition that the Airport Director, at his sole and absolute discretion, may terminate the term earlier by providing six months' advance written notice. Retaining this right to an earlier termination date builds in flexibility should airline traffic recover quicker than forecasted and the prospects for one or more strong competitive processes improves.

**Recommendation**

I recommend the Commission adopt the accompanying resolutions approving the amendments to the one business service lease and five retail leases, extending the terms to June 30, 2023 with a condition that the Airport Director may terminate earlier by providing six months' advance written notice. I further recommend the Commission Secretary forward these lease amendments to the Board of Supervisors for approval pursuant to Section 9.118 of the Charter of the City and County of San Francisco.

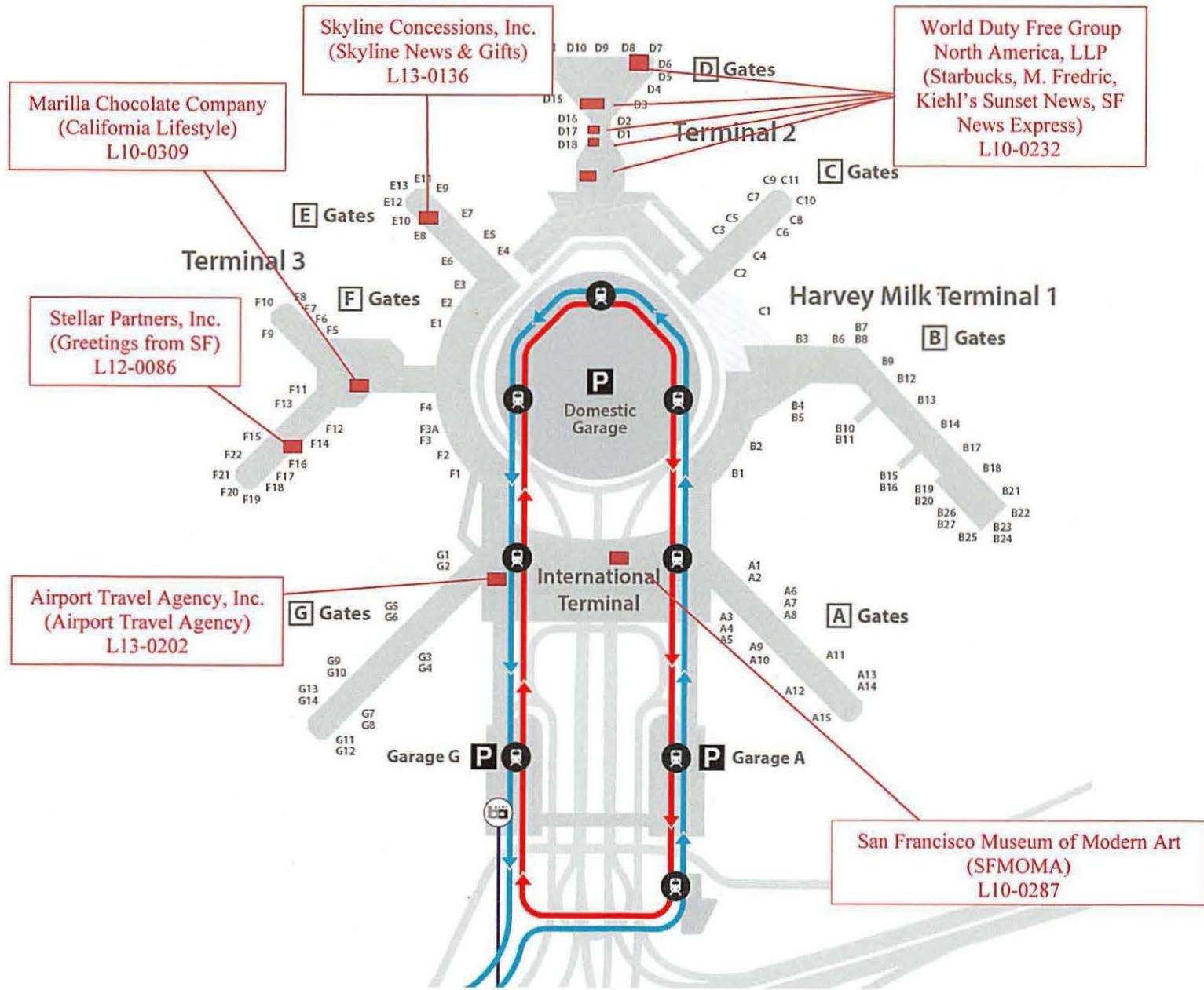


Ivar C. Satero  
Airport Director

Prepared by: Kevin Bumen  
Chief Commercial Officer

Attachments

## Attachment 1





San Francisco International Airport  
March 30, 2021

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

Subject: Lease Amendment No. 3 to the Terminal 2 Newsstands, Coffee and Specialty Stores Lease  
No. 10-0232 between World Duty Free Group North America, LLP and the City and County of San  
Francisco, acting by and through its Airport Commission

Dear Ms. Calvillo:

Pursuant to Section 9.118 of the City Charter, I am forwarding for the Board of Supervisors' approval the proposed Resolution, which approves the Lease Amendment No. 3 to the Terminal 2 Newsstands, Coffee and Specialty Stores Lease No. 10-0232 between the City and County of San Francisco, acting by and through its Airport Commission, and World Duty Free Group North America, LLP.

The following is a list of accompanying documents:

- Board of Supervisors Resolution (one original and two copies);
- Approved Airport Commission Resolution No. 20-0252;
- Memorandum accompanying Airport Commission Resolution No. 20-0252;
- SFEC-126(f)4 (Board of Supervisors) for World Duty Free Group North America, LLP;
- A copy of Lease for Terminal 2 Newsstands, Coffee and Specialty Store Lease No. 10-0232;
- A copy of Lease Amendment No. 1 to the Terminal 2 Newsstands, Coffee and Specialty Stores Lease No. 10-0232;
- A copy of Lease Amendment No. 2 to the Terminal 2 Newsstands, Coffee and Specialty Stores Lease No. 10-0232, approved as to form by the City Attorney's Office, and
- A copy of Lease Amendment No. 3 to the Terminal 2 Newsstands, Coffee and Specialty Stores Lease No. 10-0232, approved as to form by the City Attorney's Office.

The following person may be contacted regarding this matter:

Cheryl Nashir  
Director  
Revenue Development and Management  
(650) 821.4500  
cheryl.nashir@flysfo.com

Very truly yours,

*Carolyn Jayin /s/*

Carolyn Jayin  
Acting Commission Secretary

Enclosures

cc: Cheryl Nashir, Revenue Development and Management  
Cathy Widener, Governmental Affairs

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED LARRY MAZZOLA ELEANOR JOHNS RICHARD J. GUGGENHIME EVERETT A. HEWLETT, JR. MALCOLM YEUNG IVAR C. SATERO  
MAYOR PRESIDENT VICE PRESIDENT

Post Office Box 8097 San Francisco, California 94128 Tel 650.821.5000 Fax 650.821.5005 www.flysfo.com

**From:** [Dyanna Quizon \(AIR\)](#)  
**To:** [BOS Legislation. \(BOS\)](#)  
**Cc:** [Cathy Widener \(AIR\)](#); [Carolyn Jayin \(AIR\)](#)  
**Subject:** BOS E-FILE SUBMITTAL: Amendment No. 3 to the T2 Newsstand, Coffee and Specialty Stores Lease No. 10-0232 with WDFG  
**Date:** Thursday, April 1, 2021 9:21:21 AM  
**Attachments:** [BOS - Resolution WDFG L10-0232 Extension-final.docx](#)  
[Approved Airport Commission Resolution No. 20-0252.pdf](#)  
[Memorandum accompanying Airport Commission Resolution No. 20-0252.pdf](#)  
[SFEC Form 126f4BOS---Notification of Contract.pdf](#)  
[L10-0232 WDFG T2 Newsstands, Coffee and Specialty Stores - fully executed.pdf](#)  
[Amendment No. 1 to L10-0232 fully executed.pdf](#)  
[L10-0232 Amend. No. 3 - WDFG \(tenant signed\).pdf](#)  
[BOS - Cover Ltr. WDFG L10-0232 signed.docx](#)  
[RE E-Signature Approval.msg](#)  
[10-0232 Amendment No. 2 \(Rent Relief\) - WDFG - fully executed.pdf](#)  
[image001.png](#)

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CITY AND COUNTY OF SAN FRANCISCO

AIRPORT COMMISSION

BOARD OF SUPERVISORS LEGISLATION

To: BOS Legislation

Date: March 30, 2021

RE: Approval of Amendment No. 3 to the Terminal 2 Newsstands, Coffee and Specialty Stores Lease No. 10-0232, with World Duty Free Group North America, LLP and the City and County of San Francisco, acting by and through its Airport Commission

Attached is proposed legislation concerning approval of the Lease Amendment No. 3 to the Terminal 2 Newsstands, Coffee and Specialty Stores Lease No. 10-0232, with World Duty Free Group North America, LLP

The following is a list of accompanying documents:

- Board of Supervisors Resolution;
- Approved Airport Commission Resolution No. 20-0252;
- Memorandum accompanying Airport Commission Resolution No. 20-0252;
- SFEC-126(f)4 (Board of Supervisors) for World Duty Free Group North America, LLP;
- A copy of Lease for Terminal 2 Newsstands, Coffee and Specialty Store Lease No. 10-0232;
- A copy of Lease Amendment No. 1 to the Terminal 2 Newsstands, Coffee and Specialty Stores Lease No. 10-0232,
- A copy of Lease Amendment No. 2 to the Terminal 2 Newsstands, Coffee and Specialty Stores Lease No. 10-0232,

approved as to form by the City Attorney's Office, and

- A copy of Lease Amendment No. 3 to the Terminal 2 Newsstands, Coffee and Specialty Stores Lease No. 10-0232, approved as to form by the City Attorney's Office.

These documents were also delivered in hard copy.

Contacts:

Cathy Widener, Governmental Affairs Administrator  
650-821-5023

Cheryl Nashir, Revenue Development and Management  
650-821-4500

Thank you.



**Dyanna Quizon** (*preferred pronouns: she/her/hers*)

Manager | Government Affairs



## 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:

210342

File #:

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

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

#### 2. CITY ELECTIVE OFFICE OR BOARD

OFFICE OR BOARD	NAME OF CITY ELECTIVE OFFICER
Board of Supervisors	Members

#### 3. FILER'S CONTACT

NAME OF FILER'S CONTACT	TELEPHONE NUMBER
Angela Calvillo	415-554-5184
FULL DEPARTMENT NAME	EMAIL
Office of the Clerk of the Board	Board.of.Supervisors@sfgov.org

#### 4. CONTRACTING DEPARTMENT CONTACT

NAME OF DEPARTMENTAL CONTACT	DEPARTMENT CONTACT TELEPHONE NUMBER
Cheryl Nashir	650.821.4500
FULL DEPARTMENT NAME	DEPARTMENT CONTACT EMAIL
AIR	cheryl.nashir@flysfo.com

5. CONTRACTOR		
NAME OF CONTRACTOR	TELEPHONE NUMBER	
World Duty Free Group North America, LLP	201.939.5050	
STREET ADDRESS (including City, State and Zip Code)	EMAIL	
One Meadowlands Plaza, 11th Floor, East Rutherford, NJ	MMULLANEY@HUDSONGROUP.COM	

6. CONTRACT		
DATE CONTRACT WAS APPROVED BY THE CITY ELECTIVE OFFICER(S)	ORIGINAL BID/RFP NUMBER	FILE NUMBER (If applicable)
		210342
DESCRIPTION OF AMOUNT OF CONTRACT		
\$1,489,453.35		
NATURE OF THE CONTRACT (Please describe)		
<p>The Airport is seeking approval for Lease Amendment No. 3 to the Terminal 2 Newsstands, Coffee and Specialty Store Lease No. 10-0232. Lease Amendment No. 3 extends the term of the contract until June 30, 2023. The Amount of Contract listed is the Minimum Annual Guarantee for 2021, which is subject to adjustment each year based on CPI.</p>		

7. COMMENTS	

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

**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	Mullaney	Michael	Other Principal officer
2	Rickoff	Mark	Other Principal officer
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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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**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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49			
50			
<input type="checkbox"/>	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.**

SIGNATURE OF CITY ELECTIVE OFFICER OR BOARD SECRETARY OR CLERK  BOS Clerk of the Board	DATE SIGNED
--	-------------