

**AMENDMENT NO. 2 TO
LEASE AGREEMENT FOR THE INTERNATIONAL TERMINAL
DUTY FREE AND LUXURY STORES LEASE
AT SAN FRANCISCO INTERNATIONAL AIRPORT
LEASE NO. 17-0303**

THIS AMENDMENT NO. 2 TO LEASE AGREEMENT FOR THE INTERNATIONAL TERMINAL DUTY FREE AND LUXURY STORES LEASE AT SAN FRANCISCO INTERNATIONAL AIRPORT LEASE NO. 17-0303 (this "**Amendment**"), dated as of the Effective Date (as defined below), is entered by and between the CITY AND COUNTY OF SAN FRANCISCO, acting by and through its AIRPORT COMMISSION, as Landlord ("**City**" or "**Airport**") and DFS Group, L.P., as Tenant. ("**Tenant**").

RECITALS

A. City and Tenant entered into that certain Lease Agreement for the International Terminal Duty Free and Luxury Stores Lease at San Francisco International Airport Lease No. 17-0303, dated December 5, 2017 (the "**Original Lease**"), for certain duty free and luxury stores at the Airport (as further described in the Lease, the "**Premises**"). On December 5, 2017, by Resolution No. 17-0303, the Airport Commission (the "**Commission**") awarded the Lease. On March 20, 2018, by Resolution No. 66-18, the San Francisco Board of Supervisors approved Lease under Charter §9.118 (§9.118).

B. On March 17, 2020, by Resolution No. 20-0051, the Commission authorized Amendment No. 1 to the Lease, lowering Base Rent to 33% of gross revenue for Lease Year 1 which is the period from April 1, 2020 through December 31, 2020 ("**Amendment No. 1**"). On June 23, 2020, by Resolution No. 280-20, the San Francisco Board of Supervisors approved Amendment No. 1.

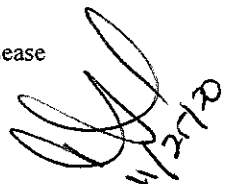
C. Sales under the Lease have been severely impacted by the closure of stores related to the Covid-19 pandemic Shelter In Place orders and travel restrictions. The Minimum Annual Guarantee (MAG) is suspended effective January 1, 2021 due to the severe decline in enplanements, and will likely stay in suspension for a period up to three years, based on travel industry forecasts. In order to provide additional relief to Tenant during this period of severe traffic decline, Airport and Tenant desire to amend the Lease to continue the lower the Percentage Rent structure implemented in Amendment No. 1 until the earlier to occur of (i) the reinstatement of the MAG under the Lease and (ii) December 31, 2023. On December 1, 2020, by Resolution No. 20-~~0222~~, the Commission approved this Amendment. The Amendment remains subject to the final approval of the Board of Supervisors under §9.118.

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. **Effective Date.** The “**Effective Date**” shall be the date upon which the Board of Supervisors shall have approved this Amendment pursuant to §9.118:

Effective Date (to be inserted): February 2, 2021

3. **Percentage Rent.** Beginning on the commencement of Lease Year 2 (January 1, 2021) and ending on the earlier to occur of (i) the reinstatement of the Minimum Annual Guarantee and (ii) the last day of Lease Year 4 (which is December 31, 2023), the Percentage Rent payable under the Lease will be thirty-three percent (33%) of Gross Revenues (the “**Percentage Rent Reduction**”).

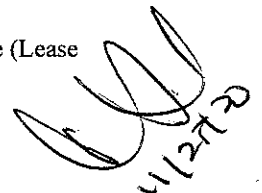
4. **Completion of Duty-Free Renovation in International Terminal.** The Percentage Rent Reduction set forth above is contingent upon the completion of the following Tenant improvements by December 31, 2021: Luxury Watch Store (Boarding Area A), Luxury Watch Store (Boarding Area G), Yves Saint Laurent (Boarding Area A), and the second entrances from the security checkpoints on Boarding Areas A and G through the DFS Duty Free galleria locations. In the event Tenant shall fail to complete such construction by such date, the Percentage Rent Reduction shall be void and of no further force or effect, and tenant will have to pay the original Percentage Rent structure set forth in the Lease retroactive to January 1, 2021.

5. **Submittal of Quarterly Reporting.** At all times during the period of Percentage Rent Reduction, Tenant shall submit to the Airport on a quarterly basis, in a format approved by the Airport, a statement of disbursements and assessments to the members of the SFO Duty Free & Luxury Store Joint Venture, entered into December 5, 2017, demonstrating that the benefits of the Percentage Rent Reduction set forth in this Amendment have been passed along to each of the members according to their respective ownership interests in such joint venture.

6. **COVID-19 Emergency Relief.** Nothing in this Amendment shall affect: (i) Tenant’s rights to defer payments of Rent and other charges pursuant to the rent deferral program offered to Tenant in response to the COVID-19 public health emergency (the “**COVID-19 Emergency**”) as set forth in that certain letter from the Airport Director dated March 17, 2020 and countersigned by Tenant on April 16, 2020, and (ii) any future rent abatement or other further modification or amendment of the Lease agreed to by the parties (subject to all required Commission and Board approvals) resulting from the closure of Tenant’s Premises by government order or other impacts to Tenant’s operations in the Premises in response to the COVID-19 Emergency.

7. **Amendment to Existing City Contracting Provisions.** The provisions of Section 19.24 of the Original Lease [Notification of Limitations on Contributions] are deleted and replaced with the following:

“By executing this Agreement, Tenant acknowledges its obligations under section 1.126 of the City’s Campaign and Governmental Conduct Code, which prohibits any person who contracts with, or is seeking a contract with, any department of the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, for a grant, loan or loan guarantee, or for a development agreement, from making any campaign contribution to (i) a City elected official if the contract must be approved by that official, a board on which that official serves, or the board of a state agency on which an appointee of that official serves, (ii) a candidate for that City elective office, or (iii) a committee controlled by such elected official or a candidate for that office, at any time



from the submission of a proposal for the contract until the later of either the termination of negotiations for such contract or twelve months after the date the City approves the contract. The prohibition on contributions applies to each prospective party to the contract; each member of Tenant's board of directors; Tenant's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 10% in Tenant; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by Tenant. Tenant certifies that it has informed each such person of the limitation on contributions imposed by Section 1.126 by the time it submitted a proposal for the contract, and has provided the names of the persons required to be informed to the City department with whom it is contracting."

8. **Additional City Contracting Provisions.**

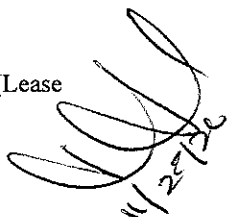
(a) The following is added as a new Section 19.30 of the Original Lease:

"19.30 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 Director. Any permitted vending machine will comply with applicable 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 Section 1930 will be a material breach of this Lease. Without limiting City's other rights and remedies under this Agreement, 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.

(b) The following is added as a new Section 19.31 of the Original Lease:

"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 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, Airline should contact Building Inspection and Code Enforcement (BICE) for guidance.

9. **Entire Agreement.** This Amendment 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 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.

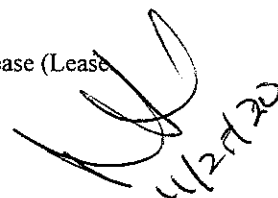
A handwritten signature in black ink, appearing to be "J. J. [unclear]", is written over the date "11/27/20". The signature is written in a cursive style.

10. **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.

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

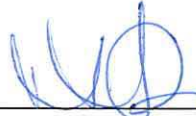
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IN WITNESS WHEREOF, the parties have executed this Amendment as of the Effective Date.

TENANT: DFS GROUP, L.P.
a Delaware limited partnership

By:  11/25/20

Name: Martin Matthews
Title: Managing Director, North America

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: 20-0222
Adopted: December 1, 2020

Attest: 
Secretary
Airport Commission

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

By: 
Deputy City Attorney

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11/25/20