

File No. 101460

Committee Item No. 6

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: December 8, 2010

Board of Supervisors Meeting

Date _____

Cmte Board

<input type="checkbox"/>	<input type="checkbox"/>	Motion
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Resolution
<input type="checkbox"/>	<input type="checkbox"/>	Ordinance
<input type="checkbox"/>	<input type="checkbox"/>	Legislative Digest
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Budget Analyst Report
<input type="checkbox"/>	<input type="checkbox"/>	Legislative Analyst Report
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Ethics Form 126
<input type="checkbox"/>	<input type="checkbox"/>	Introduction Form (for hearings)
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Department/Agency Cover Letter and/or Report
<input type="checkbox"/>	<input type="checkbox"/>	MOU
<input type="checkbox"/>	<input type="checkbox"/>	Grant Information Form
<input type="checkbox"/>	<input type="checkbox"/>	Grant Budget
<input type="checkbox"/>	<input type="checkbox"/>	Subcontract Budget
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Contract/Agreement *
<input 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 type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____
<input type="checkbox"/>	<input type="checkbox"/>	_____

Completed by: Victor Young

Date: December 3, 2010

Completed by: Victor Young

Date: _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Airport Concession Lease - Melshire DFW, L.P.]

2
3 **Resolution approving the Terminal 2 Specialty Store Lease between Melshire DFW, L.P.**
4 **dba Natalie's Candy Jar, and the City and County of San Francisco, acting by and**
5 **through its Airport Commission.**

6
7 WHEREAS, The Airport Commission has requested for proposals for the Terminal 2
8 Specialty Store Lease; and

9 WHEREAS, Melshire DFW, L.P. dba Natalie's Candy Jar was the highest, responsive,
10 and responsible proposer; and,

11 WHEREAS, The Airport Commission approved Resolution No. 10-0313, adopted
12 October 26, 2010, awarding the Terminal 2 Specialty Store Lease to Melshire DFW, L.P. dba
13 Natalie's Candy Jar now, therefore, be it

14 RESOLVED, That the Board of Supervisors hereby approves the Terminal 2 Specialty
15 Store Lease, copies of which are contained in Board of Supervisors' File No. 101460.

Item 6
File 10-1460

Department:
San Francisco International Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would authorize the Airport to enter into a seven-year lease agreement, effective April 15, 2011 through April 14, 2018, with Melshire DFW, LP, operating as Natalie's Candy Jar, for the use of 928 square feet of Terminal 2 retail space.

Key Points

- On April 27, 2010, the Board of Supervisors approved a resolution for the Airport to enter into a lease agreement for Charles Chocolates, Inc. to operate a 928 square foot retail store in the Airport's new Terminal 2 (File 10-0315). However, Charles Chocolates subsequently did not obtain the needed financing for the subject lease. Therefore, the Airport rescinded the lease agreement with Charles Chocolates on June 15, 2010.
- As a result, the Airport reissued a Request for Proposals (RFP) in July 2010 and based on the results of the RFP process, the Airport is recommending the award of a new lease for 928 square feet of retail space in the Airport's new Terminal 2 for seven years, from April 15, 2011 through April 14, 2018, with Melshire DFW, FP, operating as Natalie's Candy Jar. The Airport's new domestic Terminal 2 is scheduled to open on April 15, 2011.

Fiscal Impacts

- Under the proposed lease, Melshire DFW would pay the Airport an annual rent of the greater of either (a) its percentage of gross revenues sales, or (b) the Minimum Annual Guarantee (MAG) of \$141,000. The estimated rent for the first year payable to the Airport under the proposed lease would be \$230,000, based on a percentage of gross revenue.
- In addition to the annual rent, under the proposed lease, Melshire DFW is required to pay the Airport an annual Promotional Program Fee of \$928.
- Therefore, the estimated rent and fees payable to the Airport for the first year of the proposed lease are \$230,928 (\$230,000 in rent plus \$928 in fees).
- Additionally, Melshire DFW is required to make a one-time Minimum Investment Amount of \$324,800.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT / BACKGROUND

Mandate Statement

In accordance with City Charter Section 9.118(c), any lease exceeding ten years and/or having anticipated revenue of \$1,000,000 or greater is subject to the Board of Supervisors approval.

Background

Since 1954, Terminal 2 in the San Francisco International Airport (Airport) operated as the International Terminal. In the fall of 2000, due to an increase in both domestic and international passenger traffic, the Airport constructed a new International Terminal and, closed Terminal 2, which is being renovated into a new Domestic Terminal. Renovations of Terminal 2 began in September 2008 and are anticipated to be completed and open for domestic passengers on April 15, 2011. Once completed, Terminal 2 will have approximately 17,707 square feet of food and beverage concessions and 11,504 square feet of retail concessions.

On April 27, 2010, the Board of Supervisors approved a resolution authorizing the Airport to enter into a lease agreement with Charles Chocolates, Inc. for Charles Chocolates to operate a 928 square foot retail store in the Airport's new Terminal 2 (File 10-0315). However, Ms. Nanette Hendrickson, Principal Property Manager at the Airport states that because Charles Chocolates subsequently did not obtain the needed financing, the Airport rescinded the lease agreement with Charles Chocolates on June 15, 2010.

As a result, the Airport reissued a Request for Proposals (RFP) in July 2010 for the 928 square feet of retail space in Terminal 2, and received three proposals on September 30, 2010. The scores of the three proposers are shown in Table 1 below based on each proposers' (a) concept (30 points), (b) design intention and capital investment (20 points), (c) business plan (20 points), (d) customer service and quality control (20 points), and (e) Minimum Annual Guarantee (10 points).

Table 1: Terminal 2 Specialty Store Request for Proposal Scoring		
	Proposal Score	Minimum Annual Guarantee
Melshire DFW, LP as Natalie's Candy Jar	88.80	\$ 141,000
RDG Concessions, LLC as Facetime	80.10	\$ 135,000
Skyline Concessions, Inc. as The Candy Bar	79.53	\$ 140,000

The Airport convened a three-member panel, comprised of Airport staff and airline professionals, that evaluated the qualifying proposals and determined Melshire DFW to be the highest ranking proposer, with a total of 88.80 points out of a maximum of 100 points, as shown in Table 1 above. Therefore, on October 26, 2010, the Airport entered into a lease agreement with Melshire DFW to operate Natalie's Candy Jar in Terminal 2 for a term of seven years,

from April 15, 2011 through April 14, 2018¹. As shown in Table 1 above, the Minimum Annual Guarantee is \$141,000 for the first year of the lease.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would authorize the Airport to enter into a lease agreement for seven years, from April 15, 2011 through April 14, 2018, with Melshire DFW, LP, operating as Natalie's Candy Jar, for the use of 928 square feet of Terminal 2 retail space.

Lease Period: The proposed lease would extend for a term of seven years, from April 15, 2011 through April 14, 2018.

Annual Rent: The proposed lessee, Melshire DFW, would pay the Airport an annual rent of either the greater of (a) a percentage of gross sales, as specified in Table 2 below, or (b) the Minimum Annual Guarantee (MAG). The Minimum Annual Guarantee is set at \$141,000 per year and is subject to an annual Consumer Price Index (CPI)² adjustment, beginning on January 1, 2013. If the CPI decreases, the MAG will not decrease to a value less than the previous year's MAG.

**Table 2: Annual Rent for
Melshire DFW, LP as Natalie's Candy Jar**

MAG		Percentage of Gross Revenues
\$141,000	OR	<ul style="list-style-type: none"> • 12% up to & including \$500,000, plus • 14% over \$500,000 up to & including \$1,000,000, plus • 16% over \$1,000,000

As stated above, the bidders submitted a MAG as part of their competitive proposal. According to Ms. Hendrickson, the percentage of gross revenues was specified by the Airport in the RFP, based on expected sales volume, calculated by using expected enplanements³ and average sales data, a comparison to existing leases of other locations in the Airport for similar businesses and a comparison with other rental rates at the Airport.

In addition to the annual rent under the proposed lease, the lessee, Melshire DFW, is required to pay an annual Promotional Program Fee and a one-time Minimum Investment Amount, as described below.

Promotional Program Fee: The Promotional Program Fee allows the Airport to recover a portion of the costs to advertise and promote the retail stores in the Airport's Terminals. Under the

¹ Ms. Hendrickson states that the proposed lease would actually be effective on January 1, 2011, in order to enable Melshire DFW sufficient time to undertake renovations of the retail space so that the store would be ready by April 15, 2011 for retail operations. The Rent Commencement Date, which is expected to be April 15, 2011, is the date the facility would be fully operational.

² The Consumer Price Index represents changes in the prices of all good and services for All Urban Consumers in the San Francisco-Oakland-San Jose area and is published by the Bureau of Labor Statistics under the United States Department of Labor.

³ Enplanements are defined as the number of passengers boarding airplanes at the Airport.

proposed lease, Melshire DFW is required to pay an annual \$1.00 per square foot Promotional Program Fee, or \$928 per year for 928 square feet. The Promotional Program Fee is subject to an annual CPI adjustment. If the CPI decreases, the Fee will not decrease to a value less than the previous year's Fee.

Minimum Investment Amount: The proposed lease also requires Melshire DFW to make tenant improvements in order to refurbish, redecorate, and modernize the interiors and exteriors of its retail space, at no cost to the Airport. Under the proposed lease, the one-time Minimum Investment Amount for such tenant improvements is \$324,800, based on 928 square feet, or a cost of \$350 per square foot.

FISCAL IMPACTS

As noted above, the MAG during the first year of the proposed lease would be \$141,000, plus \$928 in required annual Program Promotion Fees, or a total minimum annual payment of \$141,928 by Melshire DFW to the Airport. However, according to Ms. Hendrickson, based on projected annual sales of \$1,625,000 for Melshire DFW during FY 2011-2012, the Airport expects Melshire DFW to pay the annual percentage rent (which is greater than the MAG of \$141,000) during the first year of the lease, or a total annual rent of \$230,000, as shown in Table 3 below. This total projected rent in the first year, excluding fees, of \$230,000 exceeds the MAG of \$141,000 by \$89,000.

Table 3: Projected First Year Annual Rent of Natalie's Candy Jar							
	Minimum Annual Guarantee	Projected Sales	Projected Percentage Sales Rent				Total Estimated Annual Rent Payable to the Airport
			12% up to \$500,000	14% of \$500,000.01 to \$1,000,000	16% of \$1,000,000.01 and above	Total	
Melshire DFW, LP as Natalie's Candy Jar	\$141,000	\$1,625,000	\$ 60,000	\$ 70,000	\$ 100,000	\$230,000	\$ 230,000

Given that the Airport would also receive \$928 in annual Program Promotion Fees, the Airport anticipates receiving total annual revenue of \$230,928 in the first year from the proposed lease.

RECOMMENDATION

Approve the proposed resolution.

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

City Elective Officer Information (Please print clearly.)

Name of City elective officer(s):

Mayor Gavin Newsom
Members, SF Board of Supervisors

City elective office(s) held:

Mayor, City and County of San Francisco;
Members, SF Board of Supervisors**Contractor Information** (Please print clearly.)

Name of contractor:

Melshire DFW, L.P. d/b/a Natalie's Candy Jar, a DBE certified (Texas) company

Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.

Limited Partnership: Cielo M. Taub, Managing Partner
Mark J. Taub, Partner
Melshire DFW I, LLC

Contractor address:

12655 North Central Expressway, Suite 325, Dallas, TX 75243

Date that contract was approved:

Airport Commission approved on 10/26/2010; subject to
Board of Supervisors' approval

Amount of contract:

Minimum Annual Guarantee of \$141,000 for the
first lease year, subject to adjustments upwards

Describe the nature of the contract that was approved:

Lease was awarded through a Request for Proposal process

Comments: Lease term is seven (7) years without option. Staff anticipates contract amount to reach or exceed \$1 million during life of the Lease.

This contract was approved by (check applicable):

☐ the City elective officer(s) identified on this form (Mayor, Gavin Newsom)☒ a board on which the City elective officer(s) serves San Francisco Board of Supervisors

Print Name of Board

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

Print Name of Board

Filer Information (Please print clearly.)

Name of filer:

Angela Calvillo, Clerk of the Board of Supervisors

Contact telephone number:

(415) 554-5184

Address:

1 Dr. Carlton B. Goodlett Place, Room 244,
San Francisco, CA 94102-4689

E-mail:

Board.of.Supervisors@sfgov.org

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

Date Signed

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

Date Signed



San Francisco International Airport

November 5, 2010

File 101460

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2010 NOV 05 PM 1:36
BY
P.O. Box 8097
San Francisco, CA 94128
Tel 650.821.5000
Fax 650.821.5005
www.flysfo.com

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

Subject: Approval of the Terminal 2 Specialty Store Lease
No. 10- 10-0313, between Melshire DFW, L.P. d/b/a Natalie's Candy
Jar and the City and County of San Francisco, acting by and through
its Airport Commission

AIRPORT
COMMISSION
CITY AND COUNTY
OF SAN FRANCISCO

GAVIN NEWSOM
MAYOR

LARRY MAZZOLA
PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

CARYL ITO

ELEANOR JOHNS

RICHARD J. GUGGENHIME

JOHN L. MARTIN
AIRPORT DIRECTOR

Dear Ms. Calvillo:

Pursuant to Section 9.118 of the City Charter, I am forwarding for the Board of Supervisors' approval the Terminal 2 Specialty Store Lease No. 10-0313, between Melshire DFW, L.P. d/b/a Natalie's Candy Jar, and the City and County of San Francisco, acting by and through its Airport Commission. The Airport Commission approved the award of the Terminal 2 Specialty Store Lease to Melshire DFW, L.P. d/b/a Natalie's Candy Jar.

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

- Board of Supervisors Resolution;
- SF-126 Ethics Form;
- Approved Airport Commission Resolution No. 10-0313;
- Copy of Terminal 2 Specialty Store Lease No. 10-0313.

You may contact Cheryl Nashir of Airport Revenue Development and Management at (650) 821-4500 regarding this matter.

Very truly yours,

Jean Caramatti

Jean Caramatti
Commission Secretary

Enclosures

cc: Cheryl Nashir

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0313

AWARD OF THE TERMINAL 2 SPECIALTY STORE LEASE TO MELSHIRE DFW, L.P. D/B/A NATALIE'S CANDY JAR, FOR A MINIMUM ANNUAL GUARANTEE OF \$141,000 FOR THE FIRST YEAR OF THE LEASE

WHEREAS, by Resolution No. 10-0221, adopted June 15, 2010, the Airport Commission ("Commission") authorized staff to conduct an informational conference for the Terminal 2 Specialty Store Lease; and

WHEREAS, by Resolution No. 10-0291, adopted September 7, 2010, the Commission authorized staff to accept proposals; and

WHEREAS, on September 30, 2010, staff received three (3) proposals from the following companies:

- Melshire DFW, L.P. d/b/a Natalie's Candy Jar;
- RDG Concessions, LLC;
- Skyline Concessions, Inc; and

WHEREAS, a three-member panel reviewed the qualifying proposals and determined Melshire DFW, L.P. d/b/a Natalie's Candy Jar to be the highest ranked responsive, and responsible proposer; now, therefore, be it

RESOLVED, that this Commission hereby awards the Terminal 2 Specialty Store Lease to Melshire DFW, L.P. d/b/a Natalie's Candy Jar under the conditions set forth in the staff memorandum on file with the Commission Secretary, including, but not limited to, a term of seven (7) years and a Minimum Annual Guarantee of \$141,000 for the first year of the lease or tiered percentage rent, whichever is greater.

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

at its meeting of _____

OCT 26 2010


Secretary

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

City Elective Officer Information (Please print clearly.)	
Name of City elective officer(s): Mayor Gavin Newsom Members, SF Board of Supervisors	City elective office(s) held: Mayor, City and County of San Francisco; Members, SF Board of Supervisors

Contractor Information (Please print clearly.)	
Name of contractor: Melshire DFW, L.P. d/b/a Natalie's Candy Jar, a DBE certified (Texas) company	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.	
Limited Partnership:	Cielo M. Taub, Managing Partner Mark J. Taub, Partner Melshire DFW I, LLC
Contractor address: 12655 North Central Expressway, Suite 325, Dallas, TX 75243	
Date that contract was approved: Airport Commission approved on 10/26/2010; subject to Board of Supervisors' approval	Amount of contract: Minimum Annual Guarantee of \$141,000 for the first lease year, subject to adjustments upwards
Describe the nature of the contract that was approved: Lease was awarded through a Request for Proposal process	
Comments: Lease term is seven (7) years without option. Staff anticipates contract amount to reach or exceed \$1 million during life of the Lease.	

This contract was approved by (check applicable):

- ☐ the City elective officer(s) identified on this form (Mayor, Gavin Newsom)
- ☒ a board on which the City elective officer(s) serves San Francisco Board of Supervisors
Print Name of Board
- ☐ the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

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

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

Date Signed

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

Date Signed

LEASE AGREEMENT
FOR THE
TERMINAL 2 SPECIALTY STORE
AT SAN FRANCISCO INTERNATIONAL AIRPORT

by and between

MELSHIRE DFW, L.P. D/B/A NATALIE'S CANDY JAR
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. Guggenhime

John L. Martin
Airport Director

October 26, 2010

Lease No. 10-0313

TABLE OF CONTENTS

MAJOR LEASE TERM SUMMARY	i
1. PREMISES	
1.1 Extent of Leasehold.....	1
1.2 Relocation, Expansion, Contraction.....	2
1.3 Remeasurement of Premises	3
1.4 Changes to Airport	3
1.5 Common Areas.....	4
2. TERM	
2.1 Commencement and Expiration	4
2.2 Phased Delivery and Required Opening Day	4
2.3 Late Opening Charge	5
2.4 Delivery Delay by City	5
2.5 [INTENTIONALLY DELETED]	
2.6 Holding Over.....	5
3. USE AND OPERATION	
3.1 Permitted Use	5
3.2 No Exclusivity.....	5
3.3 Operation of Business	6
3.4 Support Space.....	6
3.5 Hours of Operation.....	6
3.6 Prices	6
3.7 References to Airport	6
3.8 Other Operational Requirements	6
3.9 Prohibited Activities.....	7
3.10 Audit of Operations.....	7
3.11 Representative of Tenant.....	8
3.12 Investigation Reports.....	8
3.13 Compliance with Laws.....	8
4. RENT	
4.1 Definitions.....	9
4.2 Monthly Rent Payments	10
4.3 Adjustments to Minimum Annual Guarantee.....	10
4.4 Construction Period Operations	11
4.5 Rent During Construction	11
4.6 Sales Reports.....	11
4.7 Annual Certification of Sales and Adjustment.....	11
4.8 Cash Register Requirements	12
4.9 Books and Records; Audit Rights	12
4.10 Other Reports and Submissions	13
4.11 [INTENTIONALLY DELETED]	
4.12 [INTENTIONALLY DELETED]	
4.13 Additional Rent	13
4.14 Prepay Rent	13
4.15 Nature of Lease	14
4.16 Severe Decline in Enplanements.....	14

5. ASSIGNMENT OR SUBLETTING	
5.1 No Assignment.....	17
5.2 Changes in Tenant	17
5.3 No Release.....	17
5.4 Subleasing	17
5.5 Excess Rent	18
5.6 Acceptance of Rent	18
5.7 Waiver.....	18
6. TAXES, ASSESSMENTS AND LIENS	
6.1 Taxes	18
6.2 Other Liens.....	19
7. INVESTMENTS; ALTERATIONS	
7.1 City's Construction Obligation	19
7.2 Tenant's Work; Minimum Investment	19
7.3 City's Approval Rights.....	19
7.4 Structures and Fixtures.....	20
7.5 Notice and Permits	20
7.6 Title to Alterations	20
7.7 Effect of Alterations on Airport	21
7.8 [INTENTIONALLY DELETED]	
7.9 Labor Harmony	21
8. UTILITIES	
8.1 Services Provided.....	22
8.2 Utility Costs.....	22
8.3 Shared Telecommunications Services.....	22
8.4 Waiver of Damages.....	22
9. MAINTENANCE AND REPAIR	
9.1 "As-Is" Condition.....	22
9.2 Tenant's Maintenance Obligations.....	23
9.3 Tenant's Pest Management Obligation	23
10. SIGNS AND ADVERTISING	
10.1 Signs and Advertising	24
10.2 Prohibition of Tobacco Sales and Advertising.....	24
10.3 Prohibition of Alcoholic Beverage Advertising.....	24
11. PROMOTIONAL PROGRAM	
11.1 Promotional Program	24
11.2 Promotional Charge.....	24
12. WAIVER; INDEMNITY; INSURANCE	
12.1 Waiver.....	25
12.2 Indemnity	25
12.3 Losses.....	25
12.4 Immediate Obligation to Defend.....	25
12.5 Notice	25
12.6 Insurance	25
12.7 Form of Policies	26
12.8 Delivery of Policies or Certificates	26
12.9 Subrogation	26

13. DEPOSIT	
13.1 Form of Deposit	27
13.2 Maintenance of Deposit	27
13.3 Alternative Forms of Deposit	27
13.4 Use of Deposit	27
13.5 Other Agreements	28
14. DAMAGE OR DESTRUCTION	
14.1 Partial Destruction of Premises	28
14.2 Total Destruction of Premises	29
14.3 Partial Destruction of Terminal Building	29
14.4 Damage Near End of Term	29
14.5 No Abatement of Rent; Tenant's Remedies	29
15. DEFAULT; REMEDIES	
15.1 Events of Default	29
15.2 Statutory Notices	30
15.3 Remedies	31
15.4 City's Right to Perform	32
15.5 Rights Related to Termination	32
15.6 Cumulative Rights	33
15.7 Prepayment	33
15.8 Fines	33
15.9 City Lien	33
15.10 Commencement of Legal Actions	34
15.11 Waiver of Notice	35
16. SURRENDER	
17. HAZARDOUS MATERIALS	
17.1 Definitions	34
17.2 Tenant's Covenants	35
17.3 Environmental Indemnity	35
17.4 Environmental Audit	36
17.5 Closure Permit	36
18. EMINENT DOMAIN	
18.1 Definitions	36
18.2 General	36
18.3 Total Taking; Automatic Termination	36
18.4 Partial Taking; Election to Terminate	36
18.5 Tenant Monetary Obligations; Award	37
18.6 Partial Taking; Continuation of Lease	37
18.7 Temporary Takings	37
19. CITY AND OTHER GOVERNMENTAL PROVISIONS	
19.1 MacBride Principles – Northern Ireland	37
19.2 Charter	38
19.3 Tropical Hardwood and Virgin Redwood Ban	38
19.4 No Representations	38
19.5 Effect of City Approvals	38
19.6 Limitation on Damages	38
19.7 Sponsor's Assurance Agreement	38
19.8 Federal Nondiscrimination Regulations	38

19.9	Federal Affirmative Action Regulations	39
19.10	City's Nondiscrimination Ordinance.....	39
19.11	Conflict of Interest	40
19.12	Prevailing Rates of Wage.....	40
19.13	Declaration Regarding Airport Private Roads.....	40
19.14	No Relocation Assistance; Waiver of Claims	40
19.15	Drug-Free Workplace.....	41
19.16	Compliance with Americans With Disabilities Act	41
19.17	Sunshine Ordinance.....	41
19.18	Pesticide Prohibition	41
19.19	First Source Hiring Ordinance	41
19.20	Labor Peace/Card Check Rule	41
19.21	[INTENTIONALLY DELETED]	
19.22	Requiring Minimum Compensation.....	42
19.23	Airport Intellectual Property	44
19.24	Requiring Health Benefits for Covered Employees	44
19.25	Notification of Limitations on Contributions.....	46
19.26	Food Service Waste Reduction Ordinance.....	46
20.	GENERAL PROVISIONS	
20.1	Notices.....	46
20.2	No Implied Waiver.....	46
20.3	Entire Agreement	47
20.4	Amendments.....	47
20.5	Interpretation of Lease	47
20.6	Successors and Assigns.....	47
20.7	No Third-Party Beneficiaries	47
20.8	No Joint Venture	47
20.9	Brokers	47
20.10	Severability.....	47
20.11	Governing Law.....	48
20.12	Attorneys' Fees	48
20.13	Cumulative Remedies	48
20.14	Time of Essence	48
20.15	Reservations by City	48
20.16	Survival of Indemnities	48
20.17	Quiet Enjoyment and Title	48
20.18	No Right of Redemption	49
20.19	Accord and Satisfaction	49
20.20	Joint and Several Liability.....	49
20.21	Estoppel Statements	49
20.22	Authority	50
20.23	Consents	50
20.24	Options Personal	50
20.25	Counterparts	50
	Signature Page	
	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