

August 7, 2012

The Honorable City Council  
of the City of Los Angeles  
City Hall, Room 395  
Los Angeles, CA 90012

Subject: **APPROVAL OF DUTY FREE MERCHANDISE CONCESSION AGREEMENT WITH DFS GROUP L.P. FOR DUTY FREE AND DUTY PAID MERCHANDISE SALES AT LOS ANGELES INTERNATIONAL AIRPORT.**

LAX  
LA/Ontario  
Van Nuys  
City of Los Angeles  
Antonio R. Villaraigosa  
Mayor  
Board of Airport Commissioners  
Michael A. Lawson  
President  
Valeria C. Velasco  
Vice President  
Joseph A. Aredas  
Robert D. Beyer  
Boyd Hight  
Ann M. Hollister  
Fernando M. Torres-Gil  
Gina Marie Lindsey  
Executive Director

In accordance with Section 606 of the City Charter, the Board of Airport Commissioners transmits for your approval the Duty Free Merchandise Concession Agreement with DFS Group L.P. for duty free and duty paid merchandise sales at Los Angeles International Airport.

*RECOMMENDATION FOR CITY COUNCIL*

1. APPROVE the Duty Free Merchandise Concession Agreement with DFS Group L.P.
2. CONCUR in the Board's action authorizing the Executive Director to execute the Duty Free Merchandise Concession Agreement with DFS Group L.P.
3. FIND that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III Class 1(18)(c) of the Los Angeles City CEQA Guidelines.

The Board of Airport Commissioners, at their meeting held on August 6, 2012, by Resolution No. 24863 approved the Duty Free Merchandise Concession Agreement with DFS Group L.P. subject to the approval of your Honorable Body, is attached.

There is no fiscal impact to the City's General Fund as a result of this action.

*CONCLUSION*

Please return the attached Duty Free Merchandise Concession Agreement to the Department of Airports' Board Office after City Council approval and Certification of that approval.



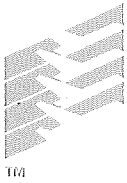
Los Angeles City Council  
August 7, 2012  
Page 2

Very truly yours,

A handwritten signature in black ink, appearing to read "Sandra J. Miller". The signature is fluid and cursive, with the first name "Sandra" and last name "Miller" clearly distinguishable.

Sandra J. Miller - Secretary  
BOARD OF AIRPORT COMMISSIONERS

cc: Trade, Commerce and Tourism Committee  
Councilmember LaBonge, E-file  
Councilmember Rosendahl, E-file  
Councilmember Garcetti, E-file  
CAO (Airport Analyst), E-file  
CLA (Airport Analyst), E-file  
City Clerk's Office, Enc. (one original and one copy)



RESOLUTION NO. 24863

**LAX**  
**LA/Ontario**  
**Van Nuys**  
**City of Los Angeles**

Antonio R. Villaraigosa  
Mayor

**Board of Airport  
Commissioners**

Michael A. Lawson  
President

Valeria C. Velasco  
Vice President

Joseph A. Aredas  
Robert D. Beyer  
Boyd Hight  
Ann M. Hollister  
Fernando M. Torres-Gil

Gina Marie Lindsey  
Executive Director

BE IT RESOLVED that the Board of Airport Commissioners approved Award of a ten (10)-year Duty Free Merchandise Concession Agreement to DFS Group L.P., with three (3) additional one-year options, which will require development and operation of duty free and duty paid merchandise concessions at Los Angeles International Airport, a summary of terms are found on the board report attached herein and made part hereof, forecast to produce revenue of over \$100 million for the first fully developed year, and average over \$150 million annually over the initial ten (10)-year term; and

BE IT FURTHER RESOLVED that the Board has authorized the Executive Director to execute said Concession Agreement upon approval as to form by the City Attorney and upon approval by the Los Angeles City Council; and

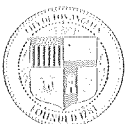
BE IT FURTHER RESOLVED that the issuance of permits, leases, agreements, or other entitlements granting use of existing facilities at a municipal airport involving negligible or no expansion of use beyond that previously existing or permitted is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Article III Class 1(18)(c) of the Los Angeles City CEQA Guidelines; and

BE IT FURTHER RESOLVED that this action is subject to the provisions of Los Angeles City Charter Section 606.

o0o

I hereby certify that this Resolution No. 24863 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Monday, August 6, 2012.

Sandra J. Miller – Secretary  
BOARD OF AIRPORT COMMISSIONERS





# Report to the BOARD OF AIRPORT COMMISSIONERS

*Denise Sample*  
Approved by: Denise Sample, Managing Director

*Debbie Bowers*  
Reviewed by: Debbie Bowers, Deputy Executive Director

*Timothy J. ...*  
City Attorney

*Gina Marie Lindsey*  
Gina Marie Lindsey - Executive Director

Meeting Date:

August 6, 2012

CAO Review:  Completed  
 Pending  
 N/A

Reviewed for	Date	Approval Status	By
Capital Budget	1/17/12	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	DS
Operating Budget	1/18/12	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RY
CEQA	5/22/12	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	AB
Procurement	07/25/12	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	MT

**SUBJECT: Award of a Duty Free Merchandise Concession Agreement to DFS Group L.P.**

Approval of a Duty Free Merchandise Concession Agreement to DFS Group L.P. having a term of 10 years with three additional one-year options, which will require development and operation of duty free and duty paid merchandise concessions at Los Angeles International Airport. The Duty Free Merchandise Concession Agreement is forecast to produce revenue of over \$100 million for the first fully developed year, and average over \$150 million annually over the initial 10-year term.

**RECOMMENDATIONS:**

Management RECOMMENDS that the Board of Airport Commissioners:

- ADOPT the Staff Report.
- DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
- Find that DFS Group L.P. is responsive and responsible, that entering into this concession agreement is to the advantage of the City and waive any informality in the proposals.
- APPROVE the award of a 10-year with 3 one-year options Duty Free Merchandise Concession Agreement to DFS L.P. Group for duty free and duty paid merchandise sales at Los Angeles International Airport.
- AUTHORIZE the Executive Director or her designee to execute the Duty Free Merchandise Concession Agreement upon approval as to form by the City Attorney.

## **DISCUSSION:**

### **1. Executive Summary**

Approval of this action by the Board of Airport Commissioners (Board) follows a LAWA-managed competitive process and will award a Duty Free Merchandise (DFO) Concession Agreement (Agreement) to DFS Group L.P. (DFS). DFS will be required to develop and operate duty free and duty paid merchandise concessions in all passenger terminals at Los Angeles International Airport (LAX). DFS will be required to invest no less than \$25 million in initial improvements and \$17 million in mid-term refurbishment improvements. The term of the Agreement is 10 years with three one-year options. According to DFS's proposal, the forecast revenue to Los Angeles World Airports (LAWA) is over \$100 million for the first fully developed year, and average over \$150 million annually over the first 10 years of the term.

### **2. Prior Related Actions**

On November 2, 2011, LAWA released a Request for Proposals (RFP) to solicit a DFO for LAX. Prior to the release of the RFP, LAWA staff briefed the Board at public meetings five times during a period from December 21, 2009 to November 17, 2011. These briefings focused on the DFO business structure, evaluation criteria, expected financial results, and schedule. In addition, prior to the commencement of the competitive process LAWA posted a draft RFP seeking industry comments, which comments were considered prior to issuance of the final RFP. Also, LAWA solicited comments from interested parties on a draft of the proposed Agreement.

### **3. Current Action**

Awarding the Agreement is essential to LAWA's schedule for opening Bradley West in early 2013, providing revenue to repay revenue bonds issued to fund Bradley West construction, and enhancing the passenger experience at LAX. In particular, the Agreement and resultant facility improvements, product offerings, and services will introduce a duty free retail experience comparable with the world's leading airports especially in the Bradley West core area. As part of the RFP, proposers were asked to offer high quality concepts that will enhance the travel experience and maximize revenue to LAWA through increased sales. This section summarizes (1) the Agreement, (2) the selection process and (3) factors leading to the recommendation of DFS as the preferred proposer.

#### **The Agreement**

Under the terms of the Agreement, DFS will be required to design, construct, and operate all the duty free merchandise concessions in all passenger terminals at LAX. DFS will be required to make a minimum of \$25 million in initial improvements to the retail premises covered by the Agreement. The Agreement requires DFS to market and sell traditional duty free merchandise, such as spirits and wine, fragrances, cosmetics, and tobacco products. In addition, pursuant to their proposal, DFS will have high-end specialty duty free stores offering international brand-name merchandise including, Hermès, Gucci, Burberry, Salvatore Ferragamo, Balenciaga, Chloé, and Bottega Veneta.

- **Term**

The term of the Agreement is 10 years, beginning no sooner than 30 days prior to the opening of the Bradley West core. LAWA has the right to extend the Agreement for three consecutive one-

year periods, unless DFS has, according to the terms of the Agreement, notified LAWA in advance that DFS does not wish to have the Agreement extended.

- Premises and Investment

The Agreement will convey to DFS a total of 13 stores consisting of approximately 37,600 square feet. Notably, there is a single 14,000 square foot store and a multiunit 9,900 square foot in the Bradley West core of the Tom Bradley International Terminal (TBIT). Terminal 2, the next busiest international terminal at LAX will have an area totaling approximately 4,800 square feet. Terminals 3, 4, 5, 6, and 7 will each have one duty free shop, with an average of 1,160 square feet. DFS will also have shops in Terminals 1 and 8 under the Agreement, but these shops will commence operations as duty paid retail shops until airlines schedule international departing flights from these terminals. DFS will also have approximately 7,900 square feet of storage space in the ramp level of TBIT.

- Payments to LAWA

Revenue to LAWA is the greater of (a) Minimum Annual Guarantee (MAG) or (b) Performance Rent as defined below. Payments to LAWA commence following a LAWA notification of Term commencement.

(a) Guaranteed Rent

For each year under the Agreement, the MAG is the greatest of the following:

- \$30 million per year in each of the first two years and, thereafter, \$33 million increasing by a CPI adjustment annually
- 90% of the prior year's rent payments to LAWA, unless, commencing in the third year, international enplaned passengers at LAX have decreased more than 20% from the prior year
- \$6.25 per international enplaned passenger commencing in the third year, which rate is escalated by a factor of CPI adjustment annually thereafter.

(b) Performance Rent

Performance Rent is comprised of two components: Percentage Rent and Contingent Rent.

Percentage Rent is the aggregate sum of the amount for the total of gross sales in each product category multiplied by each product category's percentage rate shown in the table below.

Product Category	Percentage Multiplier
Duty Free - Tobacco, Spirits and Wine	35%
Duty Free - Electronics and Fashion-Branded Boutiques	25%
All Other Duty Free Products	30%
Duty Paid Approved Branded Specialty Retail or Other Approved Duty Paid Products	30%
All Other Gross Revenues Not Included Above	30%

Contingent Rent is equal to 10% of the gross sales that exceed \$175 million in any given year.

DFS will be responsible for its own utilities and trash removal, plus any additional charges that LAWA incurs based on the DFS's operations.

DFS must provide a Faithful Performance Guarantee (FPG) in the form of a letter of credit upon execution of the Agreement, which is initially \$7.5 million (i.e., 25% of the \$30 million MAG amount) and is to be adjusted annually based on payments to LAWA in subsequent years.

### **The RFP Selection Process**

On April 2, 2012, LAWA received eight responsive proposals. The proposers are listed below in alphabetical order:

Duty Free Americas  
DFS L.P. Group  
Dufry  
Heinemann  
Lotte  
Nuance  
Shilla/ARI  
World Duty Free Group

An evaluation panel comprised of LAWA executives conducted oral interviews of all proposers during a period from May 22, 2012 to May 25, 2012. The criteria listed below were used to evaluate all proposals.

CRITERIA		POINTS
1.	Qualifications and Experience	15
2.	Financial Capability	10
3.	Marketing and Merchandising Plan	20
4.	Improvements and Investment Plan	10
5.	Management and Operations Plan	10
6A.	Financial Return to LAWA - Proposed Guarantee (from Exhibit D)	15
6B.	Financial Return to LAWA – 10-Year Pro Forma, including proposed Percentage Rent on Duty Paid (from Exhibit D)	15
6C.	Financial Return to LAWA - Proposed Contingent Rent (from Exhibit D)	5
<b>TOTAL POINTS</b>		<b>100</b>

**Evaluation Panel Members:**

1. Chief Operating Officer
2. Deputy Executive Director - Administration
3. Deputy Executive Director – Commercial Development
4. Airport Executive Assistant – External Affairs
5. Airport Executive Assistant - Finance

Following the interviews, the evaluation panel ranked the proposals based upon the criteria listed above. The final rankings are as follows:

<u>Proposer</u>	<u>Rank</u>
DFS Group L.P.	1
World Duty Free Group	2
Nuance	3
Dufry	4
Shilla/ARI	5
Heinemann	6
Lotte	7
Duty Free Americas	8

## **DFS's Proposal**

The number and quality of the proposals received through the RFP process exceeded LAWA's expectations. The competitiveness among the higher ranked proposals was greater than most, if not all, of the other competitive processes run for LAX concessions in recent years.

Based on the scores assigned by the Evaluation Panel, DFS's proposal was determined to be superior, compared to other higher ranked competitors in the follow evaluation categories: Qualifications and Experience, Marketing and Merchandising Plan, Improvements and Investment Plan, and Management and Operations Plan. DFS scored less well on two of the three evaluation criteria related to Financial Return to LAWA, but not sufficiently so to nullify DFS's advantage in other categories.

Based on the rankings above, staff recommends that the Board award the Duty Free Merchandise Concession Agreement to DFS. In addition, staff recommends that the Board authorize the Executive Director to execute the Agreements as to form by the City Attorney. Staff's recommendation is based upon the decision of the evaluation panel members.

## **4. Alternatives Considered**

### **▪ *Reject all proposals and re-issue the RFP***

Rejecting all proposals and re-issuing the RFP through a new competitive process would delay award of newly constructed retail premises in Bradley West to a duty free operator. Without doubt, this path would delay the opening of duty free shops in Bradley West to a point in time months after the scheduled opening and would result in a significant revenue loss to LAWA.

In addition, renovations to TBIT to make it compatible with Bradley West and demolition of the existing TBIT concourses is scheduled to commence soon after the Bradley West opening. The renovations and demolition require that LAWA close all existing duty free retail shops in TBIT, which, in the absence of new operations in Bradley West, will exacerbate revenue losses and significantly diminish the passenger experience and LAX's improving reputation as a recognized retail opportunity for international passengers.

## **FISCAL & ECONOMIC IMPACT STATEMENT:**

Awarding the Agreement will result in forecast revenue to LAWA of over \$100 million for the first fully developed year and average over \$150 million annually over the first 10 years of the Agreement's Term. Securing this revenue stream, which in the third year of operations is forecast to be substantially greater than LAWA's current revenue stream from duty free operations, is an essential component of revenue to be used for repayment of bonds issued to provide funding for Bradley West construction.

## **STANDARD PROVISIONS:**

1. The issuance of permits, leases, agreements, or other entitlements granting use of existing facilities at a municipal airport involving negligible or no expansion of use beyond that previously existing or permitted is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1(18)(c) of the Los Angeles City CEQA Guidelines.

2. The concession agreements are subject to approval as to form by the City Attorney.
3. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of the Los Angeles City Charter, Section 606.
4. DFS Group L.P. will comply with the Service Contractor Worker Retention and/or Living Wage Ordinances.
5. Procurement Services reviewed this action (File No. 5331) and established a goal of 20% Airport Concessions Disadvantaged Business Enterprise Program (ACDBE) participation. DFS Group L.P. proposes 25% ACDBE participation. Procurement Services confirms that based on documents submitted DFS Group L.P. has made a good faith effort to outreach to ACDBE subcontractors.
6. DFS Group L.P. will comply with the provisions of the Affirmative Action Program.
7. DFS Group L.P. has been assigned Business Tax Registration Certificate No. 0000572747-0002-7
8. DFS Group L.P. will comply with the provisions of the Child Support Obligations Ordinance.
9. DFS Group L.P. has approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports.
10. This action is not subject to the provisions of Charter Section 1022 (Use of Independent Contractors).
11. DFS Group L.P. has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. DFS Group L.P. must be determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance prior to execution of contract.
13. DFS Group L.P. will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. DFS Group L.P. has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. DFS Group L.P. has submitted a signed Labor Peace Agreement and will comply with its provisions.

**LOS ANGELES INTERNATIONAL AIRPORT  
DUTY FREE MERCHANDISE  
CONCESSION AGREEMENT**

**By and between**

**THE CITY OF LOS ANGELES,  
DEPARTMENT OF AIRPORTS**

**and**

**DFS GROUP L.P.**

**Dated \_\_\_\_\_, 2012**

## TABLE OF CONTENTS

	<u>Page</u>
I	TERM.....3
1.1	Term.....3
1.2	Interim Term .....3
1.3	Primary Term.....3
1.4	Extension.....4
II	PREMISES. ....4
2.1	Premises; Units .....4
2.2	Delivery Date .....5
2.3	Relinquishment, Expansion, Relocation, or Addition to the Premises.....6
2.4	Surrender.....8
III	CONCESSION RIGHTS AND DUTIES. ....9
3.1	Concession Rights Granted.....9
3.2	Business and Operations Plan.....9
3.3	Commencement of Preparatory Actions.....10
3.4	Permitted Use.....10
3.5	Operation of Certain Units as Duty Paid Sales Locations .....11
3.6	General Obligation to Operate .....12
3.7	Right to Promote Products; Restriction on Advertising .....12
3.8	Quiet-Enjoyment.....12
3.9	As-Is Condition.....13
3.10	Rights .....13
3.11	General Disputes .....14

**TABLE OF CONTENTS (cont.)**

3.12	No Other Uses.....	14
3.13	Rules and Regulations.....	14
3.14	Storage Space.....	14
3.15	Common Areas .....	14
3.16	Public Address System .....	15
3.17	Wireless Communications .....	15
3.18	Pricing.....	15
IV	PAYMENTS BY DFO.....	16
4.1	Base Rent .....	16
4.2	No Abatement .....	22
4.3	Additional Charges .....	22
4.4	Utilities.....	23
4.5	Refuse Removal .....	23
4.6	Other Fees and Charges .....	23
4.7	Method of Payment.....	23
4.8	Books and Records .....	25
4.9	Taxes .....	26
4.10	Faithful Performance Guarantee .....	27
V	OPERATING STANDARDS.....	28
5.1	Operating Standards.....	28
5.2	Staffing and Personnel.....	28
5.3	DFO's Key Personnel .....	29
5.4	Hours of Operation .....	29

**TABLE OF CONTENTS (cont.)**

5.5	Monthly Sales Reports; Electronic Sales Data; Credit Cards.....	30
5.6	Deliveries; Access and Coordination.....	30
5.7	Quality Assurance Audits .....	32
5.8	Prohibited Acts.....	32
5.9	Signs, Promotions & Displays.....	34
5.10	Licenses and Permits.....	34
5.11	Compliance with Laws .....	34
5.12	Airport Operations .....	35
VI	AIRPORT DISADVANTAGED BUSINESS ENTERPRISE PROGRAM. ....	35
6.1	Compliance with Department of Transportation (DOT) .....	35
6.2	Substitutions.....	36
6.3	Monthly Report.....	36
VII	IMPROVEMENTS AND REFURBISHMENTS.....	36
7.1	DFO’s Design and Construction Obligations – In General .....	36
7.2	Prevailing Wage .....	37
7.3	Condition of Premises on Delivery Date .....	37
7.4	Construction of Initial Premises Improvements .....	38
7.5	Improvement Financial Obligation.....	39
7.6	Mid-Term Refurbishment.....	40
7.7	City Approval of Improvements .....	41
7.8	Further Provisions Regarding Design and Construction .....	42
7.9	Alterations.....	42
7.10	Building Codes.....	42

**TABLE OF CONTENTS (cont.)**

7.11	Workers' Compensation .....	43
7.12	Improvement Payment and Performance Bond .....	43
7.13	Telecommunications Facilities. ....	43
7.14	Deliveries upon Completion .....	44
7.15	No Liens.....	45
7.16	Ownership of Improvements.....	46
VIII	MAINTENANCE AND REPAIR. ....	46
8.1	Maintenance and Repair .....	46
8.2	Cleaning and Routine Upkeep .....	47
8.3	Maintenance of Plumbing .....	47
8.4	City May Repair.....	47
8.5	Right to Enter Premises .....	47
8.6	Provision of Utilities.....	47
8.7	Pest Control.....	48
8.8	Evidence of Payment .....	48
8.9	Prevailing Wage .....	48
IX	TERMINATION FOR CONVENIENCE; TERMINATION PAYMENTS; QUALIFIED INVESTMENTS. ....	49
9.1	Termination for Convenience .....	49
9.2	Termination Payment.....	49
9.3	Qualified Investments Defined .....	50
9.4	Additional Conditions Applicable to Qualified Investments.....	50
9.5	No Other Compensation .....	51

**TABLE OF CONTENTS (cont.)**

X	AIRPORT CONSTRUCTION; AIRPORT OPERATIONS. ....	51
	10.1 Airport Construction; Airport Operations.....	51
	10.2 No Right to Temporary Premises .....	52
XI	TERMINATION/CANCELLATION.....	52
	11.1 Defaults .....	52
	11.2 City’s Remedies. ....	54
	11.3 Right to Remove Equipment.....	57
	11.4 Surrender to be in Writing .....	57
	11.5 Additional Rights of City.....	58
	11.6 Acceptance Is Not a Waiver .....	58
	11.7 Waiver Is Not Continuous .....	58
	11.8 Waiver of Redemption and Damages .....	58
	11.9 Survival of DFO’s Obligations .....	58
	11.10 Cancellation or Termination By DFO.....	58
	11.11 Damaged Improvements .....	59
	11.12 Service During Removal; Transition of Operations .....	59
	11.13 City May Renovate .....	59
	11.14 Viewing By Prospective Competitors.....	59
	11.15 Tenancy at Sufferance.....	59
XII	DAMAGE OR DESTRUCTION TO PREMISES. ....	60
	12.1 Damage or Destruction to Premises.....	60
	12.2 Limits of City’s Obligations .....	61
	12.3 Destruction Near End of Term.....	61

**TABLE OF CONTENTS (cont.)**

12.4	Destruction of Facility .....	61
12.5	Waiver.....	61
XIII	LIABILITY.....	62
13.1	Liability.....	62
13.2	City Held Harmless.....	62
13.3	Insurance .....	62
XIV	TRANSFER.....	64
14.1	Transfer Prohibited .....	64
14.2	Transfer .....	64
14.3	Sub-concession Agreements .....	64
14.4	No Further Consent Implied .....	66
14.5	No Release .....	66
14.6	Payment of City’s Costs.....	66
14.7	Incorporation of Terms .....	66
14.8	Right to Collect Rent Directly .....	67
14.9	Reasonableness of Restrictions.....	67
14.10	Transfer Premium .....	67
XV	HAZARDOUS MATERIALS.....	68
15.1	Hazardous Materials .....	68
15.2	Prohibition; DFO Responsibility .....	68
15.3	Spill - Clean-Up .....	69
15.4	Provision to City of Environmental Documents.....	70
15.5	Hazardous Materials Continuing Obligation .....	70

**TABLE OF CONTENTS (cont.)**

XVI	OTHER PROVISIONS.....	70
16.1	Other Provisions.....	70
16.2	Cross Default .....	70
16.3	City’s Right of Access and Inspection.....	70
16.4	Automobiles and Other Equipment .....	70
16.5	Notices. ....	71
16.6	Agent for Service of Process.....	71
16.7	Restrictions and Regulations.....	72
16.8	Right to Amend.....	72
16.9	Independent Contractor.....	72
16.10	Disabled Access.....	73
16.11	Child Support Orders .....	73
16.12	Business Tax Registration.....	73
16.13	Ordinance and Los Angeles Administrative Code (“Code”) Language Governs.....	74
16.14	Amendments to Ordinances and Codes .....	74
16.15	Non-Discrimination and Affirmative Action Provisions.....	74
16.16	Security - General .....	75
16.17	Visual Artists’ Rights Act.....	76
16.18	Living Wage Ordinance General Provisions .....	77
16.19	Service Contract Worker Retention Ordinance .....	78
16.20	Equal Benefits Ordinance .....	78
16.21	Contractor Responsibility Program.....	79

**TABLE OF CONTENTS (cont.)**

16.22	First Source Hiring Program for Airport Employers .....	79
16.23	Environmentally Favorable Options .....	79
16.24	Municipal Lobbying Ordinance .....	79
16.25	Labor Peace Agreement .....	79
16.26	Alternative Fuel Vehicle Requirement Program .....	80
16.27	Ownership of Work Product .....	80
16.28	Estoppel Certificate .....	80
16.29	Subordination of Agreement .....	80
16.30	Laws of California; Venue .....	80
16.31	Agreement Binding Upon Successors .....	81
16.32	Attorneys' Fees .....	81
16.33	Entire Agreement .....	81
16.34	Conditions and Covenants .....	81
16.35	Gender and Plural Usage .....	81
16.36	Time is of the Essence; Days .....	81
16.37	Void Provision .....	82
16.38	Construction and Interpretation .....	82
16.39	Section Headings .....	82
16.40	Waiver of Claims .....	82
16.41	Waiver .....	82
16.42	Representations of DFO .....	82
16.43	DFO Acknowledgement and Waiver .....	84
16.44	Parties In Interest .....	84

**TABLE OF CONTENTS (cont.)**

16.45	City Approval.....	84
16.46	Board Order AO-5077 Exemption.....	84
16.47	Compliance with Los Angeles City Charter Section 470(c)(12).....	85

**LIST OF EXHIBITS**

Exhibit A:	Premises
Exhibit A-1:	Description of Premises
Exhibit B:	Primary Term Commencement Date Memorandum
Exhibit C:	Delivery Date Memorandum
Exhibit D:	Transition Information
Exhibit E:	Storage Space Addendum
Exhibit F:	Initial Improvement Plan
Exhibit G:	Form of Improvement Payment and Performance Bonds
Exhibit H:	Insurance
Exhibit I:	Form of Declaration of Compliance for Child Support
Exhibit J:	Equal Employment Practices
Exhibit K:	Affirmative Action Program
Exhibit L:	Living Wage Ordinances
Exhibit M:	Living Wage Policy Declaration of Compliance Form
Exhibit N:	Service Contract Worker Retention Ordinance
Exhibit O:	Contractor Responsibility Program Pledge of Compliance Rules
Exhibit P:	First Source Hiring Program

**TABLE OF CONTENTS (cont.)**

Exhibit Q: Alternative Fuel Vehicle Program Regulations

**TABLE OF DEFINED TERMS**

<b>Term</b>	<b>Page</b>	<b>Section</b>
<b>ACDBE Rules</b>	36	6.1
<b>ACDBEs</b>	36	6.1
<b>ADA</b>	35	5.11.1
<b>Additional Product or Service</b>	11	3.4.1
<b>Additional Rent</b>	16	4.1
<b>Adjustment Year</b>	17	4.1.1.1
<b>Administrative Fee</b>	16	3.18.1
<b>Affiliate</b>	51	9.4
<b>Affirmative Action Program</b>	75	16.15.5
<b>Agreement</b>	1	Introduction
<b>Airport</b>	3	Recitals
<b>Airport Pricing Policy</b>	16	3.18.1
<b>Alterations</b>	42	7.9
<b>Anticipated Delivery Date(s)</b>	5	2.2.1
<b>Anticipated Relinquishment Date(s)</b>	6	2.3.1
<b>Anti-Terrorism Law</b>	83	16.42.3
<b>Base Rent</b>	16	4.1
<b>Base Suspension Year</b>	17	4.1.1.2
<b>Basic Information</b>	1	Basic Information
<b>Board</b>	1	Introduction
<b>Books and Records</b>	25	4.8
<b>BTRC</b>	73	16.12
<b>Business and Operations Plan</b>	9	3.2
<b>BWC Opening Date</b>	4	1.3
<b>Chronic delinquency</b>	53	11.1.13
<b>City</b>	1	Introduction
<b>City Agents</b>	29	5.2.4
<b>City Information</b>	13	3.9
<b>City Policies</b>	79	16.23
<b>Claims</b>	62	13.2
<b>Code</b>	74	16.13
<b>Common Areas</b>	15	3.15
<b>Construction Approval Process</b>	41	7.7
<b>Contingent Rent</b>	19	4.1.2.2
<b>Convenience Termination Compliance Date</b>	49	9.2.2
<b>Convenience Termination Date</b>	49	9.1
<b>Convenience Termination Notice</b>	49	9.1
<b>Convenience Termination Payment</b>	49	9.2.1
<b>CPI</b>	17	4.1.1.1
<b>Default</b>	52	11.1

**TABLE OF DEFINED TERMS (cont.)**

<b>Deficiency</b>	26	4.8.2
<b>Delivery Date</b>	5	2.2
<b>Delivery Notice</b>	5	2.2
<b>Design and Construction Handbook</b>	42	7.8.1
<b>DFO</b>	1	Introduction
<b>DFO Party(ies)</b>	34	5.11.1
<b>DFO Proposal</b>	54	11.1.19
<b>DFO's Maintenance Records</b>	46	8.1
<b>EBO</b>	78	16.20
<b>Effective Date</b>	3	1.1
<b>EITC</b>	77	16.18
<b>Environmental Claims</b>	69	15.2
<b>Equal Employment Practices</b>	75	16.15.4
<b>Excluded Expenditures</b>	39	7.5
<b>Executive Director</b>	3	1.1
<b>Executive Order No. 13224</b>	83	16.42.3
<b>Existing Concession Spaces</b>	6	2.2.2
<b>Expiration Date</b>	3	1.3
<b>Facilit(y)ies</b>	4	2.1
<b>Fashion-Branded Boutique(s)</b>	19	4.1.2.1
<b>Financial Statements</b>	24	4.7.5
<b>Floor Element Amount</b>	16	4.1.1
<b>Force Majeure</b>	38	7.4.1
<b>FPG</b>	27	4.10
<b>FPG Amount</b>	27	4.10
<b>Fractional First Month</b>	4	1.3
<b>FSHP</b>	79	16.22
<b>Gross Revenues</b>	20	4.1.3
<b>Guarantor</b>	52	11.1.3
<b>Hazardous Materials</b>	68	15.1
<b>Hazardous Materials Laws</b>	68	15.2
<b>Initial Improvement Plan</b>	38	7.4
<b>Initial Minimum Investment Amount</b>	39	7.5
<b>Initial Premises Improvements</b>	38	7.4
<b>Interim Term</b>	3	1.2
<b>Key Position(s)</b>	29	5.3
<b>Laws</b>	35	5.11.1
<b>LOC</b>	27	4.10.3
<b>LPA</b>	79	16.25
<b>LWO</b>	77	16.18
<b>MAG</b>	16	4.1.1
<b>Mid-Term Refurbishment</b>	40	7.6

**TABLE OF DEFINED TERMS (cont.)**

<b>Mid-Term Refurbishment Completion Date</b>	40	7.6
<b>Mid-Term Refurbishment Plan</b>	40	7.6.1
<b>Minimum Annual Guaranteed Rent</b>	16	4.1.1
<b>Minimum Hours of Operation</b>	29	5.4.1
<b>Minimum Mid-Term Refurbishment Amount</b>	41	7.6.2
<b>Monthly MAG Payment</b>	18	4.1.1.4
<b>Monthly Performance Rent Payment</b>	20	4.1.2.3
<b>Non-Discrimination Policy</b>	35	6.1
<b>Non-ERISA Benefits</b>	78	16.20
<b>Opt Out Notice</b>	4	1.4
<b>Other Alterations</b>	50	9.3
<b>Percentage Multiplier</b>	19	4.1.2.1
<b>Percentage Rent</b>	18	4.1.2.1
<b>Performance Rent</b>	18	4.1.2
<b>Permitted Hazardous Materials</b>	68	15.2
<b>Permitted Use</b>	10	3.4
<b>Personnel</b>	28	5.2.1
<b>PIPP Element Amount</b>	16	4.1.1
<b>PIPP Element Rate</b>	18	4.1.1.3
<b>Pre-Existing Hazardous Materials</b>	69	15.2
<b>Premises</b>	4	2.1
<b>Premises Completion Date</b>	38	7.4
<b>Primary Term</b>	3	1.3
<b>Primary Term Commencement Date</b>	3	1.3
<b>Prior Year Element Amount</b>	16	4.1.1
<b>Private Restrictions</b>	35	5.11.1
<b>Products and Services</b>	20	4.1.3
<b>Product Category</b>	19	4.1.2.1
<b>Prohibited Person</b>	83	16.42.3
<b>Qualified Investment(s)</b>	50	9.3
<b>Recycling Program</b>	31	5.6.2
<b>Registered Agent</b>	71	16.6
<b>Relinquished Premises</b>	6	2.3.1
<b>Relinquishment Date</b>	6	2.3.1
<b>Relinquishment Notice</b>	6	2.3.1
<b>Rent</b>	16	4.1
<b>RFP</b>	3	Recitals
<b>Rules and Regulations</b>	14	3.13
<b>SCWRO</b>	78	16.19
<b>TBIT</b>	7	2.3.3
<b>TBIT Minimum Investment Amount</b>	39	7.5.1
<b>TCM</b>	36	7.1

**TABLE OF DEFINED TERMS (cont.)**

<b>Telecom Documentation</b>	44	7.13.1
<b>Telecommunication Facilities</b>	43	7.13.1
<b>Telecommunication Service Providers</b>	44	7.13.1
<b>Terminal 2 Minimum Investment Amount</b>	40	7.5.2
<b>Terminated Premises</b>	49	9.1
<b>Termination for Convenience</b>	49	9.1
<b>Termination Release</b>	49	9.2
<b>Transfer</b>	64	14.1
<b>Transfer Request</b>	64	14.1
<b>Unit(s)</b>	4	2.1
<b>USA Patriot Act</b>	83	16.42.3
<b>VARA</b>	76	16.17
<b>worth at the time of award</b>	55	11.2.1
<b>Year</b>	3	1.3

**LOS ANGELES INTERNATIONAL AIRPORT  
DUTY FREE MERCHANDISE CONCESSION AGREEMENT**

**THIS LOS ANGELES INTERNATIONAL AIRPORT DUTY FREE MERCHANDISE CONCESSION AGREEMENT** (this “**Agreement**”), is made and entered into as of [REDACTED], 2012, by and between **THE CITY OF LOS ANGELES DEPARTMENT OF AIRPORTS**, a municipal corporation (“**City**”), acting by order of and through its Board of Airport Commissioners (“**Board**”), and DFS Group L.P., a Delaware limited partnership (“**DFO**”), with reference to the following Basic Information and the following Recitals.

**BASIC INFORMATION**

The following Basic Information (“**Basic Information**”) contains a summary of certain information contained in this Agreement, and such Basic Information is subject to further explanation or definition elsewhere in this Agreement. The initially-capitalized terms used in this Agreement shall have the respective meanings ascribed to such terms in this Agreement, unless the context otherwise requires. The Basic Information and this Agreement are and shall be construed as a single instrument and are referred to herein as the “**Agreement**.”

Agreement Date:	[REDACTED], 2012
City:	THE CITY OF LOS ANGELES DEPARTMENT OF AIRPORTS, a municipal corporation, acting by order of and through its Board of Airport Commissioners
City’s Address:	<p>Department of Airports 1 World Way Post Office Box 92216 Los Angeles, California 90009-2216</p> <p>or such other address as may be designated in a written notice from Executive Director in accordance with <u>Section 16.5.1</u>.</p>
	<p>All notices sent to City under this Agreement shall be sent to the above address, with copies to:</p> <p>Office of City Attorney 1 World Way Post Office Box 92216 Los Angeles, California 90009-2216</p> <p>or to such other address as may be designated in a written notice from Executive Director in accordance with <u>Section 16.5.1</u>.</p>
	<p>All rent amounts and fees payable to City or LAWA hereunder shall be made payable to:</p> <p>City of Los Angeles, Department of Airports</p> <p>and shall be mailed to:</p> <p>City of Los Angeles, Department of Airports Post Office Box 92216</p>

	<p>Los Angeles, California 90009-2216  Re: LAX Concession Agreement No. [REDACTED]</p> <p>or to such other address as may be designated in a written notice from Executive Director in accordance with <u>Section 16.5</u>.</p>
DFO:	DFS Group L.P., a Delaware limited partnership
DFO's Address:	<p>DFS Group L.P.  Los Angeles Harbor Gateway  1580 Francisco Street  Torrance, California 90501  Attention: Polly Nelson, Managing Director-DFS-NAM</p> <p>All notices sent to DFO under this Agreement shall be sent to the above address, with copies to:  DFS Group L.P.  Los Angeles Harbor Gateway  1580 Francisco Street  Torrance, California 90501  Attention: Joseph P. Lyons, Vice President-Business Development-DFS-NAM</p> <p>or such other address as may be designated in a written notice from DFO in accordance with <u>Section 16.5</u>.</p>
Registered Agent:	<p>DFO's registered agent for service of process is:  Corporation Service Company  d/b/a Lawyers Incorporating Service  2730 Gateway Oaks Drive, Suite 100  Sacramento, California 95833</p> <p>or such other Registered Agent as may be designated in a written notice from DFO in accordance with <u>Section 16.5</u>.</p>
Effective Date:	[REDACTED], 2012 See Section 1.1.
Expiration Date:	See <u>Section 1.3</u>
Faithful Performance Guarantee:	See <u>Section 4.10</u> .
Guarantor:	None.
Premises:	See Exhibit "A" and Exhibit "A-1"

## RECITALS:

A. City is the owner of Los Angeles International Airport (the "**Airport**"), located in the City of Los Angeles, County of Los Angeles, State of California, and operates said Airport for the promotion and accommodation of air commerce and air transportation between the City of Los Angeles and other local, national and international cities; and

B. City has issued that certain Request For Proposals For A Terminal-Wide Duty Free Merchandise Concession At Los Angeles International Airport, release date November 2, 2011 as supplemented by addenda (the "**RFP**"); and

C. Pursuant to the RFP, DFO has been selected by City as the concessionaire for the development and operation of the duty free merchandise sales concession at certain concession locations within the Airport, all on the terms and subject to the conditions set forth in this Agreement.

**NOW, THEREFORE**, for and in consideration of the foregoing Recitals (which are incorporated herein by this reference), the payment of the fees and charges hereinafter provided, the covenants and conditions hereinafter contained to be kept and performed, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

### I TERM.

1.1 Term. The term of this Agreement shall consist of the Interim Term (as defined in Section 1.2 below) and the Primary Term (as defined in Section 1.3 below), and shall commence on the Effective Date (as defined below) and end on the Expiration Date (as defined in Section 1.3 below (unless the term of this Agreement is sooner terminated or extended in accordance with the provisions of this Agreement). For purposes of this Agreement, the term "**Effective Date**" shall mean the date specified as the effective date of this Agreement in the written notification from the Executive Director of the Department of Airports of the City of Los Angeles (or the person or persons designated by the Executive Director to take a specified action on behalf of the Executive Director) (collectively herein, the "**Executive Director**").

1.2 Interim Term. For purposes of this Agreement, the term "**Interim Term**" shall mean the period commencing on the Effective Date and ending on the Primary Term Commencement Date (as defined in Section 1.3 below).

1.3 Primary Term. For purposes of this Agreement, the term "**Primary Term**" shall mean the period commencing on the Primary Term Commencement Date (as defined below) and ending on the date which is the last day of the tenth (10<sup>th</sup>) Year (as defined below) following the Primary Term Commencement Date (herein, the "**Expiration Date**"), unless the term of this Agreement is sooner terminated or extended in accordance with the provisions of this Agreement. For purposes of this Agreement, the term "**Primary Term Commencement Date**" shall mean the date specified by the Executive Director as the Primary Term Commencement Date as set forth in a written notice given by the Executive Director to DFO, provided that the Primary Term Commencement Date will not occur any earlier than the date that is thirty (30) days prior to the BWC Opening Date (as defined below). For purposes of this Agreement, the term "**Year**" shall mean each consecutive period of twelve (12) full calendar months following

the Primary Term Commencement Date; provided, however, if the Primary Term Commencement Date is a date other than the first day of a calendar month, the first Year shall include that fractional portion of the calendar month in which the Primary Term Commencement Date occurs (the “**Fractional First Month**”) and the first full twelve (12) calendar months thereafter. For purposes of this Agreement, the term “**BWC Opening Date**” shall mean the date that the Bradley West Modernization primary core area of the Tom Bradley International Terminal opens for passenger travel as determined by the Executive Director (such primary core area is depicted in sheet MLE4CT of Exhibit C-1 in Addendum 10 to the RFP). Within ten (10) days following the Executive Director’s request, DFO shall execute a Primary Term Commencement Date Memorandum in the form of Exhibit “B” attached hereto acknowledging the calendar date of the commencement of the Primary Term and the Expiration Date, together with such other information contained in the Primary Term Commencement Date Memorandum as the Executive Director may request. DFO’s failure to execute a Primary Term Commencement Date Memorandum shall not affect the commencement date of the Primary Term nor the performance of DFO’s obligations with respect thereto.

1.4 Extension. The Executive Director shall have the right (acting in the Executive Director’s sole and absolute discretion) to extend the Primary Term for up to three (3) consecutive twelve (12) month periods. In order to exercise such right to extend the Primary Term, the Executive Director shall give written notice of such election to extend, as to each such 12-month extension period, not less than six (6) months prior to the date that such extension period would commence. Each such extension shall be on the same terms and conditions as set forth in this Agreement; provided, however, that no such extension shall operate to extend the amortization periods described in Section 9.2 below. Notwithstanding the foregoing extension right granted to the Executive Director, the Executive Director shall have no right to extend the Primary Term as provided above in this Section 1.4 in the event that DFO delivers, prior to the first day of the eighth (8<sup>th</sup>) Year of the Primary Term, written notice to City that DFO elects to opt out of the provisions of this Section 1.4 (the “**Opt Out Notice**”). In the event that DFO delivers the Opt Out Notice to City within the time provided above, the Executive Director’s right to extend the Primary Term under this Section 1.4 shall be of no force or effect. In the event that DFO fails to deliver the Opt Out Notice to City within the time provided above, DFO shall have no further right to opt out of the provisions of this Section 1.4.

## II PREMISES.

2.1 Premises; Units. The premises which are the subject of this Agreement (the “**Premises**”) are described in Exhibit “A” attached to this Agreement and are comprised of those concession sales spaces (herein, individually referred to as a “**Unit**” and collectively referred to as the “**Units**”) and the storage and office support spaces within the Facilities (as defined below) as depicted on the plan sheets attached to this Agreement as Exhibit “A-1” and incorporated herein by reference. The term “**Facility**” shall mean the Airport terminal in which a Unit or other portion of the Premises is located, and the term “**Facilities**” shall mean the Airport terminals in which the Premises are located.

2.1.1 Space Nos.; Square Footage. The Units and other portions of the Premises (e.g., storage or office) have the space number, Facility location, and approximate square footage set forth in Exhibit “A” attached hereto; *provided, however*, that any statement of square footage or location set forth in this Agreement, or that may have been used in calculating any of the

economic terms hereof, is an approximation which City and DFO agree is reasonable and no economic terms based thereon shall be subject to revision whether or not the actual square footage is more or less or the location is different. The approximate location and dimensions of the Units and other portions of the Premises are depicted on the plan sheets attached to this Agreement as Exhibit "A-1".

2.1.2 Correction to Description of Premises. In the event that the City determines that any description or measurement of any portion(s) of the Premises stated in this Agreement is inaccurate, the Executive Director is authorized to correct such inaccuracy.

2.1.3 Executive Director's Right to Make Adjustments. DFO acknowledges that the respective sizes and locations of the Units and other portions of the Premises may be impacted during the term of this Agreement by the on-going design and development activities of the TCMs (as defined in Section 7.1 below) and/or other users or tenants occupying space within the Facilities. The Executive Director shall have the right to adjust the square footage and/or location of any Unit or other portion of the Premises in order to accommodate such other design and development activities occurring in the Facilities. The Executive Director shall use reasonable efforts to minimize any adverse impacts on DFO as the result of such adjustments. DFO shall have no right to compensation in connection with any such adjustments nor shall any of the economic terms herein be subject to revision in connection with such adjustments; except as may be expressly provided otherwise in this Agreement or otherwise agreed to in writing by the Executive Director.

2.2 Delivery Date. Notwithstanding the commencement of the Interim Term of this Agreement or the commencement of the Primary Term of this Agreement, DFO shall have no right to use, occupy or operate any specific Unit or other portion of the Premises until the Delivery Date (as defined below) for such Unit or other portion of the Premises. The "**Delivery Date**" for a Unit or other portion of the Premises shall be the date specified by the Executive Director in a written notice delivered to DFO (the "**Delivery Notice**") that City will deliver such Unit or other portion of the Premises to DFO for the use contemplated by this Agreement. DFO agrees to accept delivery of such Unit or other portion of the Premises on the Delivery Date as so specified by the Executive Director. The Executive Director shall have the right to extend the Delivery Date or otherwise amend any Delivery Notice previously delivered to DFO, which amended Delivery Notice shall become effective upon delivery to DFO. Within ten (10) days following the Executive Director's request, DFO shall execute a Delivery Date Memorandum in the form of Exhibit "C" attached hereto acknowledging the calendar date that such Unit or other portion of the Premises was delivered by City and accepted by DFO, together with such other information contained in the Delivery Date Memorandum as the Executive Director may request. DFO's failure to execute a Delivery Date Memorandum shall not affect the Delivery Date of such Unit or other portion of the Premises nor the performance of DFO's obligations with respect thereto.

2.2.1 Anticipated Delivery Dates. Exhibit "D" (Transition Information) attached to this Agreement sets forth the anticipated dates that City will deliver the Units and other portions of the Premises to DFO (the "**Anticipated Delivery Date(s)**"). City shall have no liability or obligation to DFO arising out of any delay or other deviation between the Anticipated Delivery Date of any Unit or other portion of the Premises and the Delivery Date of such Unit or other portion of the Premises, and no such delay or other deviation shall extend or otherwise

affect the Interim Term, the Primary Term, or the Expiration Date of this Agreement. No such delay or other deviation between the Anticipated Delivery Date of any Unit or other portion of the Premises and the Delivery Date of such Unit or other portion of the Premises shall affect DFO's obligation to pay the Base Rent as provided in Section 4.1 hereof; it being understood that the potential for such delay has been contemplated in the structuring of such Base Rent.

2.2.2 Existing Concession Spaces; Commencement of Operations. DFO acknowledges that certain portions of the Premises as identified in Exhibit "D" (Transition Information) attached hereto consist of concession spaces currently being operated by the current duty free concessionaire at the Airport (the "**Existing Concession Spaces**"). DFO shall, at DFO's cost and expense, be responsible for making all necessary and appropriate arrangements with the current duty free concessionaire for the effective and efficient transition of operations within the Existing Concession Spaces so that there will be an immediate and uninterrupted transition of operations between the existing duty free concessionaire and DFO as of the Delivery Date for the Existing Concession Spaces; it being understood that DFO shall be obligated to commence business operations within the Existing Concession Spaces on the Delivery Date for the Existing Concession Spaces. Exhibit "D" (Transition Information) also sets forth the respective dates that DFO is obligated to commence business operations with respect to the other Units within the Premises that are not a part of the Existing Concession Spaces.

2.3 Relinquishment, Expansion, Relocation, or Addition to the Premises. This Section 2.3 contains certain provisions regarding the relinquishment, expansion, or relocation of, or additions to, the Premises, which provisions are in addition to other provisions which may be set forth elsewhere in this Agreement.

2.3.1 Existing Concession Spaces – Relinquishment. DFO acknowledges that certain Units or other portions of the Premises that are a part of the Existing Concession Spaces will be replaced by new Units or other portions of the Premises to be developed by DFO in coordination with the applicable TCM as further described in Exhibit "D" attached hereto and in the Initial Improvement Plan (as defined in Section 7.4 below). DFO further acknowledges that such Units or other portions of the Premises (the "**Relinquished Premises**") that will be replaced by such new Units or other portions of the Premises shall be relinquished to City and removed from the Premises under this Agreement. The "**Relinquishment Date**" for all or any portion of the Relinquished Premises shall be the date specified by the Executive Director in a written notice delivered to DFO (the "**Relinquishment Notice**") that DFO shall relinquish such Relinquished Premises to City. The Executive Director shall have the right to extend the Relinquishment Date or otherwise amend any Relinquishment Notice previously delivered to DFO, which amended Relinquishment Notice shall become effective upon delivery to DFO. Exhibit "D" sets forth the anticipated date or dates that the Relinquished Premises (or portions thereof) shall be relinquished to City by DFO (the "**Anticipated Relinquishment Date(s)**"). City shall have no liability or obligation to DFO arising out of any delay or other deviation between the Anticipated Relinquishment Date of any portion of the Relinquished Premises and the Relinquishment Date of such portion of the Relinquished Premises. Upon the Relinquishment Date, such Relinquished Premises (or portion thereof) shall no longer be a part of the Premises, DFO shall fulfill its surrender and removal obligations under Section 2.4 below with respect to such Units or other portions of the Premises, and City shall be free to contract with others for the use of such concession space or otherwise use such concession space as the

Executive Director deems appropriate. City shall have no obligation to compensate DFO for the relinquishment of such Units or other portions of the Premises (it being understood that the Convenience Termination Payment contemplated in Section 9.2 below shall not apply to the Relinquished Premises). Further, DFO acknowledges that the Minimum Annual Guaranteed Rent (as defined in Section 4.1.1 below) shall not be subject to reduction in connection with the relinquishment of the Relinquished Premises.

2.3.2 Expansion or Relocation. DFO acknowledges and agrees that the Executive Director shall have the right to require DFO, at DFO's cost and expense, to expand any Unit and/or require the relocation, in whole or in part, of any Unit during the term of this Agreement upon a finding by the Executive Director that such expansion and/or relocation is necessary to optimize duty free sales in any area of the Airport from which international flights originate or to otherwise meet the demands of the air travelling public at the Airport.

2.3.3 Addition – Duty Free Arrivals. The parties acknowledge that, during the term of this Agreement, the United States Customs and Border Protection agency may begin permitting duty free sales to arriving international passengers in arrival areas (presently duty free sales may only be made to departing international passengers). In such event, the Executive Director shall make additional concession space available to DFO within certain arrival areas of certain Facilities for arrival duty free sales (presently anticipated to be up to 3,000 square feet in the Tom Bradley International Terminal (“**TBIT**”) and up to 1,500 square feet in Terminal 2). Such additional concession space will be made available on the same terms and conditions as set forth in this Agreement, except as otherwise set forth in writing by the Executive Director. In the event that the Executive Director makes such additional concession space available to DFO, the Executive Director will give written notice to DFO defining such additional concession space and setting forth any additional terms and conditions on which such additional concession space will become a part of the Premises under this Agreement. DFO shall have sixty (60) days following such written notice to elect (in writing delivered to the Executive Director) to accept such additional concession space on the terms and conditions presented by the Executive Director. In the event that DFO fails within said 60-day period to accept in writing such additional concession space on the terms and conditions so presented by the Executive Director, then DFO shall have no right to such additional concession space, and City shall be free to contract with (or offer to contract with) others for the use of such additional concession space (including, without limitation, the sale of duty free merchandise) or to otherwise use such additional concession space as the Executive Director deems appropriate. In the event that DFO accepts in writing within said 60-day period such additional concession space on the terms and conditions so presented by the Executive Director, then such additional concession space shall become a part of the Premises under this Agreement on such terms and conditions so presented by the Executive Director, subject to any required approval by the Board. DFO acknowledges that such terms and conditions presented by the Executive Director may include (but not necessarily be limited to) an increase in the Floor Element Amount (as defined in Section 4.1.1 below) based on the proportionate increase in the square footage of the Premises.

2.3.4 Addition – Midfield Satellite Concourse. The parties acknowledge that, during the term of this Agreement, City may construct and open an additional area of the Airport called the Midfield Satellite Concourse. In such event, the Executive Director shall make additional concession space available to DFO within certain areas of the Midfield Satellite Concourse (presently anticipated to be up to 20,000 square feet of area). Such additional

concession space will be made available on the same terms and conditions as set forth in this Agreement, except as otherwise set forth in writing by the Executive Director. In the event that the Executive Director makes such additional concession space available to DFO, the Executive Director will give written notice to DFO defining such additional concession space and setting forth any additional terms and conditions on which such additional concession space will become a part of the Premises under this Agreement. DFO shall have sixty (60) days following such written notice to elect (in writing delivered to the Executive Director) to accept such additional concession space on the terms and conditions presented by the Executive Director. In the event that DFO fails within said 60-day period to accept in writing such additional concession space on the terms and conditions so presented by the Executive Director, then DFO shall have no right to such additional concession space, and City shall be free to contract with (or offer to contract with) others for the use of such additional concession space (including, without limitation, the sale of duty free merchandise) or to otherwise use such additional concession space as the Executive Director deems appropriate. In the event that DFO accepts in writing within said 60-day period such additional concession space on the terms and conditions so presented by the Executive Director, then such additional concession space shall become a part of the Premises under this Agreement on such terms and conditions so presented by the Executive Director, subject to any required approval by the Board. DFO acknowledges that such terms and conditions presented by the Executive Director may include (but not necessarily be limited to) an increase in the Floor Element Amount based on the proportionate increase in the square footage of the Premises.

2.4 Surrender. DFO agrees that at 11:59 p.m. on the Expiration Date, or on the sooner termination of this Agreement, DFO shall surrender the Premises (including all improvements) to City (a) in good order, condition and repair (normal wear and tear excepted but with all interior walls repaired, any carpets cleaned, and all floors cleaned and waxed), and (b) free of any Hazardous Materials in accordance with Section 15. Normal wear and tear shall not include any damage or deterioration that would have been prevented by proper maintenance by DFO or DFO otherwise performing all of its obligations under this Agreement. On or before the expiration or sooner termination of this Agreement, (i) DFO shall remove all of DFO's personal property, all Telecommunications Facilities (as defined in Section 7.13.1) installed in the Premises or elsewhere in the Airport by or on behalf of the DFO (provided the Executive Director may require that such removal shall be performed by a contractor or telecom provider designated by the Executive Director), and DFO's signage from the Premises, and DFO shall repair any damage caused by such removal, and (ii) City may (at its option), by notice to DFO given not later than ninety (90) days prior to the Expiration Date (except in the event of a termination of this Agreement prior to the scheduled Expiration Date, in which event no advance notice shall be required), require DFO at DFO's expense to remove any or all Alterations and to repair any damage caused by such removal. Any of DFO's personal property not so removed by DFO as required herein shall be deemed abandoned and may be stored, removed, and disposed of by City at DFO's expense, and DFO waives all Claims against City for any damages resulting from City's retention and disposition of such property; *provided, however*, that DFO shall remain liable to City for all costs incurred in storing and disposing of such abandoned property of DFO. All improvements and Alterations except those which City requires DFO to remove shall remain in the Premises as the property of City. On the Expiration Date or earlier termination of this Agreement, all rights of DFO under this Agreement shall terminate. No expiration or earlier termination of this Agreement shall release DFO from any liability or obligation hereunder,

whether of indemnity or otherwise, resulting from any acts, omissions, or events occurring prior to DFO surrendering the Premises to City.

### III CONCESSION RIGHTS AND DUTIES.

3.1 Concession Rights Granted. For and in consideration of the fees and charges as set forth in this Agreement, City hereby grants to DFO, subject to all of the terms, covenants and conditions of this Agreement, the right and obligation to occupy, equip, furnish, operate and maintain the merchandise sales facilities described herein in the Units that are a part of the Premises hereunder.

3.2 Business and Operations Plan. DFO shall prepare a detailed plan for the management of the concession operations within the Premises (the “**Business and Operations Plan**”), which Business and Operations Plan shall at all times be subject to the approval of the Executive Director. The initial version of the Business and Operations Plan shall be in a form prepared by DFO and approved by the Executive Director, prior to the Effective Date of this Agreement. Thereafter, the Business and Operations Plan shall be updated by DFO and submitted to the Executive Director, on an annual basis, no later than ninety (90) days following the end of each Year continuing through the end of the Primary Term. The updated Business and Operations Plan shall be subject to the approval of the Executive Director each Year, and any changes to the Business and Operations Plan that occur during the Year shall be subject to the approval of the Executive Director. DFO shall manage the concession operations within the Premises substantially in accordance with the Business and Operations Plan as approved by the Executive Director. Notwithstanding anything contained in the Business and Operations Plan, in the event of a conflict between the provisions of this Agreement and the provisions of the Business and Operations Plan, the provisions of this Agreement shall control. The contents of the Business and Operations Plan shall include, but not be limited to, the following:

- (a) The plan for the maximization of payments and value to City.
- (b) Establishment of operational goals and objectives for the forthcoming Year of the plan, including identification of sales opportunities and marketing plans for the promotion of sales.
- (c) Review of prior Year’s performance, including achievement of sales projections and sales trends with explanations of any anomalies by product category, by brand and by Unit.
- (d) The plan for the marketing of concession opportunities and for the selection of sub-concessionaires, if any, to ensure an open selection process that provides opportunities for ACDBEs.
- (e) The merchandising plan, including merchandise mix, product categories, product lines, identification of major brands carried, and identification of brand-dedicated Units and/or brand-dedicated areas within the Units.
- (f) The operating standards for concession operations (including, but not limited to staffing and cash handling and sales recording systems) and the policies and

procedures to address, correct or replace underperforming operations and to manage compliance with operating standards.

(g) Customer service and quality assurance plan, and remedial action plan for any prior deficiencies.

(h) The maintenance plan for the Premises.

(i) The policies and procedures for the management, monitoring and reporting of, and compliance with, the adopted pricing policy.

(j) Such other goals, objectives, requirements or information as the Executive Director may request.

3.2.1 Marketing Affiliation with AEG. Except as may be otherwise approved in writing by the Executive Director, DFO shall maintain during the entire term of this Agreement the marketing affiliation with Anschutz Entertainment Group (AEG) described in Sections 3 and 7 of the DFO Proposal.

3.3 Commencement of Preparatory Actions. Immediately following the Effective Date, DFO shall make all necessary arrangements in order to prepare for the commencement of business operations at the Premises, including, without limitation, preparation, submission for approvals, and finalization of all materials required in connection with the construction of improvements for the Premises as required under this Agreement, obtaining all permits, authorizations, licenses and clearances required for DFO's agents, representatives, employees, contractors, and vendors in order to comply with the security requirements imposed under this Agreement, making all necessary arrangements for obtaining all merchandise, supplies, inventory, and equipment necessary for the operation of DFO's business at the Premises in accordance with this Agreement.

3.3.1 Temporary Concession Space During Construction. In order to ensure continuity of services to the travelling public during transition, development and construction, the Executive Director may (but shall have no obligation to) authorize the use by DFO of one or more temporary concession spaces within a Facility, pursuant to a written Right of Entry Agreement between DFO and City. Any such Right of Entry Agreement shall be subject to the approval of the Executive Director (in his or her sole discretion).

3.4 Permitted Use. The permitted use of the Units that are included in the Premises under this Agreement (herein, the "**Permitted Use**") is limited to (a) the sale of in-bond merchandise on a duty free basis, and (b) the sale of duty paid branded specialty retail merchandise of a product category that has been approved in writing by the Executive Director for sale in such Unit along with such in-bond merchandise (provided that such non-bonded branded specialty retail merchandise is permitted under applicable United States Customs and Border Protection regulations and directives to be displayed and sold in duty free shops). DFO acknowledges that the sale of duty paid branded specialty retail merchandise as part of the Permitted Use is subject to the prior written approval of the Executive Director on a Unit by Unit basis and may be limited to a single product line (e.g., clothing, jewelry, luggage or electronics). DFO further acknowledges that "branded specialty retail merchandise" does not include

convenience retail merchandise (e.g., newspapers, magazines, books, bottled water and chilled beverages, non-prescription drugs and toiletry) as determined by the Executive Director. All duty free merchandise carried in stock, displayed, offered for sale and/or sold by DFO shall be of high quality, must be of foreign origin and normally subject to United States Customs duty fees, except for United States Bureau of Alcohol, Tobacco and Firearms bonded American alcoholic beverages and may include, without limitation, liquor, tobacco products, cigarette lighters smoking articles, perfume, watches, cameras and camera accessories, radios, tape recorders' binoculars, electric shavers, jewelry, pearls, handbags, leather goods, writing instruments, sporting equipment, clothing and other items of "in-bond" character. In accordance with United States Customs and Border Patrol regulations, DFO acknowledges that, presently, such duty free merchandise may only be sold to passengers whose destinations are outside the territorial limits of the United States and DFO shall so advise prospective patrons by appropriate signing at each of the Units. Duty free merchandise sold to passengers pursuant to this Agreement must be delivered to such passengers at the entrance to the aircraft, unless "cash and carry" sales are authorized by United States Customs and Border Patrol, and no assurance can be given that such authorization will be given. The permitted uses of the storage and office support spaces included in the Premises under this Agreement are limited to storage and office use incidental to the operation of the Permitted Use in the Units. Except as expressly set forth in Section 5.6 or as directed by Executive Director in writing, the Permitted Use does not permit DFO to have access to the airfield areas of the Airport. DFO shall not engage in any activity within the Airport outside of the Premises for the recruitment or solicitation of business without the prior written consent of Executive Director (granted, denied or conditioned in Executive Director's sole discretion). Without limiting the generality of this Section, DFO shall not operate any Unit under any name or brand, other than a name or brand specifically permitted or required herein, or as otherwise approved in advance in writing by Executive Director.

3.4.1 Additional Products or Services. Regardless of whether a particular type of product or service is included within the definition of Permitted Use above or is contemplated in the Business and Operations Plan, the Executive Director may propose to DFO to include a particular type of product or service to the concession operations conducted within the Premises in order to enhance passenger experience at the Facility (an "**Additional Product or Service**"). If so proposed by the Executive Director, DFO will use commercially reasonable efforts to incorporate such Additional Product or Service into the concession operations within the Premises.

3.5 Operation of Certain Units as Duty Paid Sales Locations. DFO acknowledges that, except as otherwise approved in writing by the Executive Director, DFO is required to continuously engage in the sale of duty free merchandise from each of the Units in accordance with the terms of this Agreement. In the event that any Unit is located in a Facility (i.e., terminal) that either (a) does not have international passenger service or (b) does not have sufficient volume of international passenger service (in the sole judgment of the Executive Director) to support such duty free merchandise sales location in such Facility, then the Executive Director shall have the right (but not the obligation) to permit DFO to use such Unit solely for the sale of duty paid branded specialty retail merchandise as specified by the Executive Director in writing. The Business and Operations Plan identifies those Units which DFO is currently permitted to operate solely for the sale of duty paid branded specialty retail merchandise. With respect to any Unit that the Executive Director has permitted to operate solely as a duty paid branded specialty retail location, the Executive Director shall have the right,

upon sixty (60) days' prior written notice, to revoke such permission and require DFO to convert such Unit to the sale of duty free merchandise at such time as international passenger service is initiated or resumed in such Facility in sufficient volume of international passenger service (in the sole judgment of the Executive Director) to support such duty free merchandise sales location in such Facility.

3.6 General Obligation to Operate. Subject to events of Force Majeure (as defined in Section 7.4.1 below), and except for periods of closure approved in writing by the Executive Director in connection with construction of the Initial Premises Improvements, the Mid-Term Refurbishment (as defined in Section 7.6) or other approved Alterations, DFO shall provide the concession services and operations contemplated by this Agreement for the air traveling public and other persons using the Airport, every day of the Primary Term hereof, without exception. DFO shall not divert, cause or permit to be diverted any business from the Premises and shall take all reasonable measures, in every proper manner, to develop, maintain and increase the business conducted by DFO pursuant to this Agreement. DFO shall actively operate each Unit so as to best serve public needs consistent with other world-class international airports. Unless otherwise approved in writing by the Executive Director, in the event that DFO fails to be continuously engaged in the sale of duty free merchandise from any Unit in accordance with the terms of this Agreement, then the Executive Director shall have the right to elect on behalf of City to recapture such Unit upon written notice to DFO. In the event of such recapture, such Unit shall no longer be a part of the Premises, DFO shall fulfill its surrender and removal obligations under Section 2.4 above with respect to such Unit, and City shall be free to contract with others for the use of such concession space (including, without limitation, the sale of duty free merchandise) or to otherwise use such concession space as the Executive Director deems appropriate. City shall have no obligation to compensate DFO for the recapture of such Unit (it being understood that the Convenience Termination Payment contemplated in Section 9.2 below shall not be required). Further, DFO acknowledges that the Minimum Annual Guaranteed Rent shall not be reduced in connection with any such recapture.

3.7 Right to Promote Products; Restriction on Advertising. Subject to the written approval of the Executive Director or as set forth in the approved Business and Operations Plan, DFO may promote DFO's duty free sales concession within the Facilities in approved designated areas. DFO has no rights (a) to advertise or promote the products of any third party, or (b) to participate in any non-City sponsored marketing income program at the Airport. DFO hereby agrees to indemnify, defend and hold City and City Agents (as defined in Section 5.2.4 below) harmless from and against any Claims (as defined in Section 13.2 below) City may suffer or incur as a result of DFO's violation of this Section. DFO hereby assigns to City and agrees to pay to City as Additional Rent hereunder any fees, compensation or other revenue received by DFO, directly or indirectly, from any such advertising or product promotion in violation of this Section. DFO may, within DFO's Units, promote the products and/or services sold by DFO in such Unit in accordance with the provisions of Section 5.9 of this Agreement.

3.8 Quiet-Enjoyment. Subject to the rights reserved in favor of City under this Agreement, DFO, upon payment of Rent hereunder and upon observing and keeping the conditions and covenants of this Agreement on its part to be observed and kept, shall lawfully and quietly hold, use and enjoy the Premises during the term of this Agreement.

3.9 As-Is Condition. Except as expressly otherwise provided in this Agreement, DFO acknowledges and agrees that the Premises (including each Unit within the Premises) is being delivered to and accepted by DFO on the applicable Delivery Date in an “As-Is,” “Where Is” and “With all Faults” condition and without any representation, warranty or implied warranty of any kind or nature as to the condition, use or occupancy which may be made thereof and without any improvements or alterations by City. Except as expressly set forth in this Agreement, DFO waives, and City disclaims, all warranties of any type or kind whatsoever with respect to the Premises, whether express or implied, including, by way of description but not limitation, those of fitness for a particular purpose and use. Any report, study, document or other information furnished to DFO by City or by City’s representatives, relating to the Premises or the Facilities or their operations (collectively, the “**City Information**”) is being furnished without representation or warranty by City or its representatives and with the understanding that DFO will not rely on the City Information, but rather DFO will independently verify the accuracy of the statements or other information contained in the City Information. It is the parties’ express understanding and agreement that all City Information is provided only for DFO’s convenience in facilitating DFO’s own independent investigation and evaluation, and, in doing so, DFO shall rely exclusively on its own independent investigation and evaluation of each and every aspect of the subject matter of this Agreement and not on any information or materials supplied by City.

3.10 Rights. Subject to the rights reserved to City under this Agreement, DFO acknowledges and agrees that (a) subject to DFO’s compliance with the terms and conditions of this Agreement, the rights herein granted to DFO are exclusive to DFO within the Premises covered by this Agreement, but non-exclusive at the Airport (including all portions of the Airport and the Facilities that are outside of the Premises) except to the extent otherwise provided in Section 3.10.1 below regarding the sale of in bond merchandise on a duty free basis; (b) except as expressly set forth in Sections 2.3.3 and 2.3.4 above, the rights granted to DFO under this Agreement do not include any right to use, occupy or possess any area other than the Premises (including, without limitation, any new leaseable or concession areas in the Facilities or any new terminals or other facilities developed by City in the future); and (c) City reserves the right to enter into terminal management agreements, and/or other concession agreements with other managers, concessionaires and service providers at the Airport that may compete with DFO, some of which will be located in the Facilities covered by this Agreement.

3.10.1 Exclusivity Regarding Duty Free Sales. Insofar as City can legally bind itself and except as otherwise expressly provided herein, the concession rights granted by City to DFO under this Agreement with regard to the sale of in bond merchandise on a duty free basis are exclusive at the Airport. DFO acknowledges that the foregoing sentence only restricts City’s ability to grant to others the right to sell in bond merchandise on a duty free basis at the Airport. DFO acknowledges that City has granted, and may in the future grant, to others the right to sell the same or similar items of merchandise on a non-duty free (non-in bond) basis, including, without limitation, (a) the operation of gift and newsstand concessions, and (b) the establishment of various specialty shops. The grant of exclusivity with regard to the sale of in bond merchandise on a duty free basis under this Section 3.10.1 is expressly subject to any and all restrictions and/or requirements set forth in any Laws (including, without limitation, any required approval or consent of the United States Federal Aviation Administration). The grant of exclusivity with regard to the sale of in bond merchandise on a duty free basis under this Section 3.10.1 shall not apply to the extent that City has requested that DFO conduct duty free sales at a particular location within the Airport and DFO has failed or refused to conduct duty free sales at

such location within the Airport (including, without limitation, DFO's failure to accept additional concession space as provided in Sections 2.3.3 or 2.3.4 of this Agreement or to operate any Unit in accordance with Section 3.6 of this Agreement).

3.11 General Disputes. In the event of a dispute between DFO and any other Airport tenant, manager or concessionaire as to the services to be offered or products to be sold at any Unit, the Premises or other location, DFO shall meet and confer with Executive Director, and Executive Director shall determine (which determination shall be in the Executive Director's sole discretion) the services to be offered or products to be sold by each, and any decision by Executive Director shall be final and binding upon DFO and such other Airport tenant, manager or concessionaire.

3.12 No Other Uses. DFO and its sub-concessionaires shall not use nor permit the Premises (or any Unit within the Premises) to be used for any purpose other than the Permitted Use with respect to such Unit except with the prior written consent of the Executive Director, nor for any use in violation of any applicable present or future law, ordinance, rule or regulation of any governmental authority, agency, department or officer thereof. In the event that DFO or any sub-concessionaire desires to use the Premises (or any Unit within the Premises) for any purpose other than the Permitted Use for that Unit, DFO may submit a request to Executive Director, and Executive Director may, in Executive Director's sole and absolute discretion, approve, deny or condition its approval of such request in writing (and any such written approval shall be approved as to form by the City Attorney). Any such decision by Executive Director shall be final and binding upon DFO and any sub-concessionaire.

3.13 Rules and Regulations. DFO shall comply with the non-discriminatory rules and regulations of the City and the Department of Airports, along with any modifications, amendments and supplements thereto, as are in effect from time to time, for the orderly and proper operation of the Airport, the Facilities, the Common Areas and the Premises (collectively, the "**Rules and Regulations**"). City shall not be responsible to DFO, any DFO Party or any other third party for the failure of any other person to observe and abide by any of said Rules and Regulations.

3.14 Storage Space. DFO shall only use those areas within the Premises (including any Unit therein) for the storage of equipment, inventory or supplies as are approved by the Executive Director for such use as a part of the design and construction approval process. The Executive Director may (but shall have no obligation to) make additional storage space available to DFO at the Airport from time to time. In the event the Executive Director makes such additional storage space available to DFO and DFO desires to lease such storage space, City and DFO shall enter a storage space addendum in the form of Exhibit "E" attached hereto, as such form may be modified from time to time by Executive Director. To the extent that merchandise offered for sale by DFO from the Units is required to be delivered or stored at off-airport locations, DFO shall obtain such off-airport locations as may be required to meet the operational obligations under this Agreement.

3.15 Common Areas. Subject to compliance with City's Rules and Regulations and security requirements, DFO shall have the non-exclusive right, in common with others authorized by City, of ingress and egress through all Common Areas (as defined in this Section); *provided, however*, the Executive Director may, in its sole discretion, and without liability to

DFO, change the size or location of the Common Areas, including, without limitation, by converting Common Areas to leaseable or other areas, leaseable areas to Common Areas, removing all access rights to Common Areas or closing Common Areas. Executive Director may, in Executive Director's sole discretion, establish and enforce Rules and Regulations (as defined in Section 3.13 above) concerning the Common Areas, temporarily close portions of the Common Areas for security, maintenance or other purposes, and make changes to the Common Areas including, without limitation, changes in the location of security points, driveways, entrances, exits, parking spaces and the direction and flow of pedestrian and vehicular traffic. For purposes of this Agreement, the term "**Common Areas**" means all areas and facilities located within the Airport and outside the Premises, that are designated by the Executive Director from time to time as common use areas for the general use and convenience of concessionaires, tenants and other occupants at the Airport, airline passengers and other visitors to the Airport, such as lobbies, corridors, sidewalks, elevators, escalators, moving sidewalks, parking areas, and facilities, restrooms, pedestrian entrances, driveways, loading zones and roadways.

3.16 Public Address System. City shall have the right, in its sole discretion, to install one (1) or more public address system speakers in each Unit for announcing flight arrivals and departures and other Airport information. DFO shall not install any public address, paging, or other similar audio system in the Premises (including any Unit) at any time, without the prior written approval of the Executive Director (in the Executive Director's sole discretion). Any installation of a music system, audio/video display or television system in the Premises (including any Unit) shall require the prior written approval of the Executive Director, in his or her sole discretion; provided that no such system shall interfere with the City's public address system.

3.17 Wireless Communications. Without the prior written consent of the Executive Director (in his or her reasonable discretion), DFO shall not have any wireless internet system(s) within the Premises (including any Unit). Without the prior written consent of the Executive Director, in his or her reasonable discretion, DFO shall not install or use any wireless workstations, access control equipment, wireless internet servers, transceivers, modems or other hardware that transmit or otherwise access radio frequencies. Notwithstanding the prior consent of the Executive Director for the installation of any such system or equipment, the Executive Director shall have the absolute right, upon thirty (30) days' prior written notice, to require the removal of any such system or equipment (at DFO's sole expense) in the event that such system or equipment interferes with any present or future systems or equipment installed by City at the Airport.

3.18 Pricing.

3.18.1 Information; Survey; Review. DFO acknowledges that the Executive Director shall have the right to review the prices, rates and other charges relating to merchandise sold from the Premises and to disapprove any such prices, rates or other charges in the event that the Executive Director determines that any such prices, rates or other charges are excessive. DFO shall collect and maintain pricing information for all merchandise sold within each Unit of the Premises. Upon request by the Executive Director, DFO shall provide such information to City. Further, from time to time as reasonably required by Executive Director, DFO shall conduct a survey or surveys to compare the prices of both duty free and duty paid merchandise

sold from the Premises with prices charged for the same duty free and duty paid merchandise by a market basket made up of West Coast duty free stores for duty free merchandise and by metropolitan Los Angeles department stores for duty paid merchandise. The results of such surveys shall be promptly provided to the Executive Director. The prices of like duty free merchandise sold from the Premises shall be priced at or below the prices charged in a market basket made up of West Coast duty free stores. The prices of like duty paid merchandise sold from the Premises shall be priced in accordance with the Airport Pricing Policy (as hereinafter defined). For purposes of this Agreement, the term "**Airport Pricing Policy**" shall mean establishing prices that are no more than eighteen percent (18%) higher than prices charges by off-Airport specialty retail shops or department stores located within a twenty-five (25) mile radius of the Airport. The Executive Director may also conduct City-initiated price comparisons as the Executive Director considers necessary. DFO shall be given one (1) week to correct any price overage or other discrepancies raised by the Executive Director with DFO, or to submit written justification for retaining current prices for these items. In response to DFO's written justifications, the Executive Director will determine whether overages or other discrepancies must be eliminated, and if so, DFO must reduce prices within three (3) business days of the date of the Executive Director's decision. If any City-initiated price comparisons discloses a violation of the requirements of this Agreement, the cost of such City-initiated price comparisons shall be borne by DFO, and upon the delivery of an invoice from City, DFO shall pay the same to City, plus fifteen percent (15%) of such cost incurred as an administrative fee (but in no event less than \$100 per occurrence or such greater amount as may be reasonably adjusted by the Executive Director from time to time) (herein, the "**Administrative Fee**"), within thirty (30) days of receipt of City's invoice.

#### IV PAYMENTS BY DFO.

4.1 Base Rent. Commencing on the Primary Term Commencement Date, and continuing thereafter throughout the Primary Term (including any extensions thereof), DFO shall pay to City annual base rent (the "**Base Rent**") in an amount equal to the greater of (a) the Minimum Annual Guaranteed Rent (as defined in Section 4.1.1 below) for the applicable Year or (b) the Performance Rent (as defined in Section 4.1.2 below) for the applicable Year. The Base Rent and all other Additional Rent payable by DFO hereunder are sometimes collectively referred to as "**Rent**." The term "**Additional Rent**" shall mean all sums, fees, charges, payments and other amounts due hereunder from DFO other than the Base Rent.

4.1.1 Minimum Annual Guaranteed Rent (MAG). The Minimum Annual Guaranteed Rent (herein, the "**Minimum Annual Guaranteed Rent**" or "**MAG**") shall be an annual amount for the applicable Year equal to the greatest of the following three (3) amounts:

(a) the Floor Element amount for the applicable Year as provided in Section 4.1.1.1 below (the "**Floor Element Amount**"); or

(b) the Prior Year Element amount for the applicable Year as provided in Section 4.1.1.2 below (the "**Prior Year Element Amount**"); or

(c) the PIPP Element amount for the applicable Year as provided in Section 4.1.1.3 below (the "**PIPP Element Amount**").

The parties acknowledge that, notwithstanding any other provision of this Agreement, in no event shall the Minimum Annual Guaranteed Rent be less than the Floor Element Amount for the applicable Year.

4.1.1.1 Floor Element Amount. The Floor Element Amount for the first (1<sup>st</sup>) Year of the Primary Term shall be Thirty Million Dollars (\$30,000,000); provided, however, in the event that the first (1<sup>st</sup>) Year of the Primary Term includes a Fractional First Month, said Floor Element Amount for the first (1<sup>st</sup>) Year of the Primary Term shall be increased by Eighty Three Thousand Three Hundred and Thirty Three Dollars (\$83,333) times the number of days in such Fractional First Month. The Floor Element Amount for the second (2<sup>nd</sup>) Year of the Primary Term shall be Thirty Million Dollars (\$30,000,000). The Floor Element Amount for the third (3<sup>rd</sup>) Year of the Primary Term shall be Thirty Three Million Dollars (\$33,000,000). The Floor Element Amount for the fourth (4<sup>th</sup>) Year of the Primary Term and for each Year of the Primary Term (including any extensions thereof) thereafter (said fourth Year and each subsequent Year being referred to herein as an “**Adjustment Year**”) shall be Thirty Three Million Dollars (\$33,000,000) increased by fifty percent (50%) of the percentage increase, if any, in the CPI (as defined below) in effect on the first (1<sup>st</sup>) day of such Adjustment Year over the CPI in effect on the first (1<sup>st</sup>) day of the third (3<sup>rd</sup>) Year of the Primary Term; it being understood that in no event shall the Floor Element Amount for a given Adjustment Year be decreased as the result of such computation. For purposes of illustrating the calculation of the foregoing annual CPI adjustment to the Floor Element Amount only, assuming that the percentage increase in the CPI between the CPI for the month in which the first day of the Adjustment Year in question occurs and the CPI for the month in which the first day of the third Year of the Primary Term occurs is seven percent (7%), then the Floor Element Amount for such Adjustment Year would be \$34,155,000 (i. e., 50% of such 7% percentage increase would be 3.5%, and  $1.035 \times \$33,000,000$  is \$34,155,000). The term “**CPI**” shall mean the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor of CPI-U (all urban consumers) for Los Angeles – Riverside – Orange County, CA (all items 1982 – 1984 equals one hundred). In the event that the compilation and/or publication of the CPI shall be discontinued, then the index most nearly the same as the CPI shall be used to make such calculation (as reasonably determined by the Executive Director).

4.1.1.2 Prior Year Element Amount. The Prior Year Element Amount for a given Year shall be an amount equal to ninety percent (90%) of the Base Rent for the prior Year. Notwithstanding the foregoing, commencing with the third (3<sup>rd</sup>) Year of the Primary Term and for any Year during the Primary Term (including any extension thereof) thereafter, the Prior Year Element Amount will be suspended as a component of the Minimum Annual Guaranteed Rent for such Year in the event that the total number of enplaned international passengers at the Airport for such Year decreases more than twenty percent (20%) from the total number of enplaned international passengers at the Airport for the immediately prior Year (such immediately prior Year is referred to herein as the “**Base Suspension Year**”), and such suspension of the Prior Year Element Amount shall continue for each Year thereafter until such subsequent Year in which the total number of enplaned international passengers equals or exceeds eighty percent (80%) of the total number of enplaned international passengers for the Base Suspension Year at which time the Prior Year Element Amount shall be reinstated as a component of the Minimum Annual Guaranteed Rent beginning with such subsequent Year. The determination of the number of enplaned international passengers at the Airport for any given Year shall be made by the Executive Director, and the Executive Director’s determination shall

be deemed binding and conclusive on DFO for all purposes under this Agreement. The Executive Director will notify DFO of such annual number of enplaned international passengers at the Airport following its availability.

4.1.1.3 PIPP (Per International Passenger Payment) Element Amount.

The PIPP Element Amount for a given Year shall be an amount equal to the PIPP Element Rate (as defined below) multiplied by the total number of enplaned international passengers at the Airport for such Year; provided, however, that the PIPP Element Amount shall not commence as a component of the Minimum Annual Guaranteed Rent until the third (3<sup>rd</sup>) Year of the Primary Term. The term "**PIPP Element Rate**" shall mean Six Dollars and Twenty-five Cents (\$6.25) beginning in the third (3<sup>rd</sup>) Year of the Primary Term; provided, however, that, beginning with the fourth (4<sup>th</sup>) Year of the Primary Term and for each Year of the Primary Term (including any extensions thereof) thereafter, the PIPP Element Rate shall be increased by fifty percent (50%) of the percentage increase, if any, in the CPI in effect on the first (1<sup>st</sup>) day of such Adjustment Year over the CPI in effect on the first (1<sup>st</sup>) day of the third (3<sup>rd</sup>) Year of the Primary Term; it being understood that in no event shall the PIPP Element Rate for a given Adjustment Year be decreased as the result of such computation.

4.1.1.4 Payment of Minimum Annual Guaranteed Rent. The Minimum Annual Guaranteed Rent for the applicable Year shall be payable monthly in advance in equal installments (i.e. 1/12 of the MAG per month) on the first (1<sup>st</sup>) day of each month (the "**Monthly MAG Payment**") during the applicable Year, subject to Year-end reconciliation as provided herein. In initially calculating the Monthly MAG Payment for a given Year, no calculation will be made for the PIPP Element Amount for such Year (i.e. the PIPP Element Amount for such Year will be calculated and included in such Year's Minimum Annual Guaranteed Rent at the time of the Year-end reconciliation). Similarly, in the event that a suspension of the Prior Year Amount is initiated during the applicable Year, such suspension will be calculated at the time of the Year-end reconciliation. Within sixty (60) days after the last day of the applicable Year, DFO shall calculate and report to City the Minimum Annual Guaranteed Rent for the entire Year and pay therewith any additional Minimum Annual Guaranteed Rent owed for such Year. The Monthly MAG Payment shall be adjusted as of the first (1<sup>st</sup>) day of each Year to correspond with the new Minimum Annual Guaranteed Rent for such Year. In the event that any element of the Minimum Annual Guaranteed Rent cannot be calculated as of the first (1<sup>st</sup>) day of the new Year (e.g., as the result of the delayed publication of the CPI or unavailability of other information), the Monthly MAG Payment shall be calculated based on available information (which shall in no event be less than the Monthly MAG Payment for the immediately prior Year) and adjusted as soon as such information is available, and any increase in the Monthly MAG Payment for the prior months shall be paid with the next installment of the Monthly MAG Payment immediately following the calculation of such adjustment.

4.1.2 Performance Rent. For purposes of this Agreement, the term "**Performance Rent**" shall mean an annual amount equal to the sum of the Percentage Rent (as defined in Section 4.1.2.1 below) for the applicable Year, plus the Contingent Rent (as defined in Section 4.1.2.2 below) for the applicable Year.

4.1.2.1 Percentage Rent. The term "**Percentage Rent**" shall mean an annual amount equal to the aggregate total sum of the Gross Revenues for the applicable Year

for each product category or other source (herein, “**Product Category**”) listed in the table below multiplied by the corresponding fixed percentage (each, a “**Percentage Multiplier**”) listed in the table below:

<b>Product Category</b>	<b>Percentage Multiplier</b>
Duty Free - Tobacco, Spirits and Wine	35%
Duty Free - Electronics and Fashion-Branded Boutiques	25%
All Other Duty Free Products	30%
Duty Paid Approved Branded Specialty Retail or Other Approved Duty Paid Products	30%
All Other Gross Revenues Not Included Above	30%

For purposes of the Product Categories listed above, “Duty Free” includes products sold on a tax free basis (e.g., sales tax or excise tax free) in addition to products sold on a duty free basis. Notwithstanding the Percentage Multiplier set forth above for “Duty Paid Approved Branded Specialty Retail or Other Approved Duty Paid Products”, in the event that any such duty paid branded specialty retail product or other duty paid product is not expressly included in the initial Business and Operations Plan as approved by the Executive Director, then the Executive Director may as a condition of the Executive Director’s subsequent approval of the sale of such product impose a greater Percentage Multiplier than such Percentage Multiplier set forth above. As used above, the term “**Fashion-Branded Boutique(s)**” means an area or areas within a Unit dedicated to a single high-end apparel or apparel accessory (e.g., purses or shoes) fashion brand selling items exclusive to that brand. Duty free perfumes, cosmetics, skin care products and similar items shall not be considered a part of the “Fashion-Branded Boutiques” Product Category. Duty free watches (whether electronic or non-electronic) and other duty free jewelry items shall not be considered a part of either the “Electronics” Product Category or the “Fashion-Branded Boutiques” Product Category. Rather, duty free watches (whether electronic or non-electronic) and other duty free jewelry items shall be considered a part of the “All Other Duty Free Products” Product Category.

4.1.2.2 Contingent Rent. The term “**Contingent Rent**” shall mean an annual amount equal to ten percent (10%) times the amount (if any) that the total Gross Revenues for the applicable Year exceeds One Hundred Seventy-five Million Dollars (\$175,000,000).

4.1.2.3 Payment of Performance Rent. The Performance Rent shall be initially calculated and payable by DFO (to the extent that it exceeds the Monthly MAG Payment) in arrears on a monthly basis not later than the twentieth (20th) day following the end of the calendar month for which the Performance Rent relates (the “**Monthly Performance Rent Payment**”), subject to Year-end reconciliation as provided herein. The Monthly Performance Rent Payment shall be an amount equal to the amount (if any) that the Percentage Rent calculated for the given month exceeds the Monthly MAG Payment for the given month. For purposes of calculating the Monthly Performance Rent Payment, no calculation will be made for the Contingent Rent for such Year until the end of the Year (i.e., the Contingent Rent will be calculated and included in such Year’s Performance Rent at the time of the Year-end reconciliation). Within sixty (60) days after the last day of the applicable Year, DFO shall calculate and report to City the Performance Rent for the entire Year and pay therewith any additional Performance Rent owed for such Year; it being understood that DFO shall pay to City, within sixty (60) days after the last day of the applicable Year, any unpaid balance of the greater of the Minimum Annual Guaranteed Rent or the Performance Rent for such Year. Within sixty (60) days after the last day of the applicable Year, DFO shall also calculate and report to City, the new Minimum Annual Guaranteed Rent for the ensuing Year and remit to City such increased amounts for the first two months of the new Year. All calculations relating to the Base Rent, the MAG, and the Performance Rent (i.e., Percentage Rent and Contingent Rent) are subject to the review and approval of the Executive Director. In the event that DFO has overpaid the Base Rent for such Year, DFO shall be entitled to credit such overpayment toward the Monthly MAG Payment(s) next due following final determination thereof.

4.1.3 Gross Revenues Defined. For purposes of this Agreement, the term “**Gross Revenues**” shall mean any and all revenues, whether by coin or currency, on account, by check, credit or debit card, whether collected or uncollected, and whether conducted on or off Airport, that are derived by or on behalf of DFO (or any sub-concessionaire) as a result of the operation of the concession rights granted under this Agreement, without any exclusion whatsoever, except those exclusions expressly permitted under Sections 4.1.3(1) through 4.1.3(9) below. The term “Gross Revenues” shall include (a) the sales prices received or billed by or on behalf of DFO (or any sub-concessionaire) from the sale of all merchandise products and services (“**Products and Services**”); (b) the full amount of any deposits, prepayments or credits forfeited by customers in connection with any business by DFO (or any sub-concessionaire) in, on, about or from the Premises; (c) the full amount of all orders for Products and Services accepted by or on behalf of DFO (or any sub-concessionaire) in, on, about or from the Premises, whether or not to be delivered, filled or performed at any other place, and the full amount of all orders accepted by or on behalf of DFO (or any sub-concessionaire) elsewhere, but to be delivered, filled or performed in, on, about or from the Premises or the Airport; (d) the retail price of all orders for Products and Services placed from the Premises from DFO’s (or any sub-concessionaire’s) catalog, internet or otherwise; (e) the full amount of any charge DFO (or any sub-concessionaire) customarily makes for Products and Services even though DFO (or any sub-concessionaire) fails to actually collect such a charge (except to the extent expressly excluded pursuant to Sections 4.1.3(1) through 4.1.3(9) below); and (f) any amounts paid or payable to DFO (or any sub-concessionaire) in exchange for coupons or vouchers which are redeemed at the Premises. The term “Gross Revenues” shall also include any payments made to DFO (or any sub-concessionaire) for advertising or promoting products and services from the Premises. The term “Gross Revenues” shall also include the full amount of gross profit earned by DFO (or any sub-concessionaire) in the exchange of foreign currency. Goods, work or services furnished by

any person or firm in lieu of payment in exchange for value received shall also be deemed to be "Gross Revenues". The term "Gross Revenues" shall exclude revenues from the following:

(1) Taxes. Retail sales taxes, excise taxes or related direct taxes on the consumer which are collected by or on behalf of DFO (or any sub-concessionaire) on such sales, provided all such taxes are properly accounted for and recorded;

(2) Sale of Scrap, Equipment or Uniforms. Revenues from the sale of waste or scrap materials resulting from the operation of DFO's (or any sub-concessionaire's) business at the Airport; revenues from the sale of or the trade-in value of furniture, fixtures or equipment used on the Premises, and owned by DFO (or any sub-concessionaire); receipts from the sale at cost of uniforms/clothing to DFO's (or any sub-concessionaire's) employees where such uniforms/clothing are required to be worn by said employees;

(3) Exchanges and Refunds from Suppliers. The value of any merchandise, supplies or equipment exchanged or transferred from or to other business locations of DFO (or any sub-concessionaire), where such exchanges or transfers are not made for the purpose of avoiding a sale by DFO (or any sub-concessionaire) which would otherwise be made from or at the Premises; revenues in the form of refunds from or the value of merchandise, supplies or equipment returned to shippers, suppliers or manufacturers;

(4) Refunded Revenues. Revenues with respect to any sale where the subject of such sale, or some part thereof, is thereafter returned by the purchaser to and accepted by DFO (or any sub-concessionaire), to the extent of any refund actually granted or adjustment actually made, either in the form of cash or credit;

(5) Sub-concessionaire Rents. Provided that the full amount of the Gross Revenues of any sub-concessionaires of DFO are included in the reporting of DFO's Gross Revenues as required above, then rental amounts received by DFO from such sub-concessionaires will not be included in Gross Revenues;

(6) Supplier Discounts. The amount of any cash or quantity discounts received from sellers, suppliers or manufacturers;

(7) Tips. The amount of any gratuity paid or given by patrons or customers to employees of DFO (or any sub-concessionaire); provided, however, DFO (or any sub-concessionaire) shall take commercially reasonable efforts to assure that its compensation system does not incentivize its employees to provide or distribute Products and Services which would otherwise generate Gross Revenues to generate gratuities;

(8) Reimbursements. Receipts in the form of any reimbursements from DFO sub-concessionaire(s) or subcontractor(s) for any taxes, loan payments or license fees paid by DFO for or on behalf of such sub-concessionaire or subcontractor; and

(9) Insurance Proceeds. All sums and credits received in settlement of claims for loss, theft or damage to inventory, supplies, and merchandise, and the proceeds received by DFO (or any sub-concessionaire) from any casualty or liability proceeds (other than business interruption proceeds attributable to amounts which would have otherwise been Gross Revenues).

No deduction shall be made from "Gross Revenues" by reason of any credit loss sustained or financing discount that may be applicable by reason of the acceptance or use of credit cards, debit cards or by reason of any other credit arrangements. Except as otherwise expressly provided in the exclusions set forth in Sections 4.1.3(1) through 4.1.3(9) above, if any charge customarily made by DFO (or any sub-concessionaire) for Products and Services is not assessed, charged or collected, irrespective of the reason therefor, then the full amount of DFO's (or any sub-concessionaire's) customary charge therefor shall nevertheless be included in determining Gross Revenues. DFO (or any sub-concessionaire) shall not show the percentage of Gross Revenues payable to City as a separate charge to DFO's (or any sub-concessionaire's) customers. For purposes of calculating Gross Revenues, the Gross Revenues of any sub-concessionaire or transferee of any interest under this Agreement shall be attributed to DFO. All computations in the determination of Gross Revenues shall be made in accordance with the terms of this Agreement, using the accrual basis of accounting. All computations regarding the determination of Gross Revenues shall be subject to the review and approval of the Executive Director in accordance with the provisions of Section 4.8 below.

4.1.4 Executive Director Authority to Adjust Square Footage. This Section 4.1.4 is intended to describe the authority delegated by City to the Executive Director to take certain actions with regard to the addition or deletion of square footage to or from the Premises without the necessity of obtaining further approval of the Board. The Executive Director shall have the authority to propose and enter into changes to the square footage of the Premises from time to time as provided elsewhere in this Agreement without requiring a corresponding adjustment to the Minimum Annual Guaranteed Rent. The exercise of such authority by the Executive Director is in the Executive Director's sole discretion. With the approval of the Board, the Executive Director shall have the authority to propose and enter into changes to the Base Rent (including changes to the Minimum Annual Guaranteed Rent). The specific intent of this Section 4.1.4 is to authorize certain actions on behalf of City by the Executive Director, but not to require that such actions be taken by the Executive Director. Except for those changes that the Executive Director has the right to make under the express terms of this Agreement, any other changes to the square footage of the Premises shall be set forth in a mutually satisfactory form of written supplement or amendment to this Agreement executed by the parties.

4.2 No Abatement. City and the federal government shall each retain the right to restrict access to areas "airside" of security checkpoints to ticketed passengers and Airport/airline personnel. City shall retain the right to restrict access to any areas in the Airport, including the Facilities, for purposes of construction of City-approved improvements. During such actions, DFO shall not be entitled to any abatement or adjustment of Rent, fees or any other compensation.

4.3 Additional Charges. In addition to the Base Rent payable to City hereunder, City reserves the right, in the Executive Director's reasonable discretion, to impose additional charges on DFO in the event that the Executive Director determines that DFO's activities or operations cause City to incur additional expenses in its operation of the Facilities within which the Premises are a part. If so imposed, the Executive Director shall periodically invoice DFO for such additional charges, and DFO shall pay such charges within thirty (30) days following receipt of such invoice.

4.4 Utilities. Utilities with respect to the Premises (including each Unit therein), including electricity, gas and water, shall be separately metered as to the Premises (and as to each Unit therein), at DFO's expense, and shall be invoiced directly to DFO. If Executive Director agrees that it is impossible to separately meter a given utility with respect to all or a portion of a given Premises, then DFO shall pay to City as Additional Rent a reasonable and not unjustly discriminatory pro-rata amount of said utility invoice which includes said Premises, based upon Executive Director's good faith estimate of DFO's share thereof. Executive Director's estimate may be based on the square footage of DFO's Premises compared with the square footage of the area serviced, or upon some other reasonable and not unjustly discriminatory criteria designated by Executive Director in Executive Director's good faith business judgment. City shall invoice DFO for amounts due and DFO shall pay the same within thirty (30) days of receipt of City's invoice.

4.5 Refuse Removal. DFO shall comply with the provisions of Section 5.6 with regard to the disposition of trash and garbage, waste reduction and recycling. City may designate garbage or refuse disposal areas at each Facility for use by concessionaires. City reserves the right to charge, and in such event, DFO shall pay to City as Additional Rent a reasonable and not unjustly discriminatory pro-rata amount of the cost for segregation and/or removal of garbage and refuse from designated garbage or refuse disposal areas based upon Executive Director's good faith estimate of DFO's share thereof. Executive Director's estimate may be based on DFO's Premises square footage compared with the square footage of the area serviced, or upon some other reasonable and not unjustly discriminatory criteria designated by Executive Director in Executive Director's good faith business judgment. City shall invoice DFO for amounts due and DFO shall pay the same to City as Additional Rent within thirty (30) days of receipt of City's invoice.

4.6 Other Fees and Charges. If City has paid any sum or sums or has incurred any obligations or expense which DFO had agreed to pay or reimburse City for, or if City is required or elects to pay sum(s) or ensure obligation(s) or expense(s) by reason of the failure, neglect or refusal of DFO to perform or fulfill any of the conditions, covenants or agreements contained in the Agreement, or as a result of an act or omission of DFO contrary to said conditions, covenants, and agreements, DFO shall pay the sum(s) so paid or the expense(s) so incurred (including all interest, costs, damages and penalties, and the same may be added to any installment of the fees and charges thereafter due hereunder), plus the Administrative Fee, as Additional Rent recoverable by City in the same manner and with like remedies applicable to any other component of Rent hereunder.

4.7 Method of Payment. The procedure for the payment of the Rent shall be as follows:

4.7.1 Payment Location. All Rent payable hereunder shall be paid to the City of Los Angeles, Department of Airports, Post Office Box 92216, Los Angeles, California 90009-2216, unless and until City designates some other party to receive or place for the payment of Rent. All such payments shall be made in lawful money of the United States, without demand, set-off or deduction of any kind.

4.7.2 General Payment Terms. All Rent shall be paid in lawful money of the United States of America and through a domestic branch of a United States financial institution.

Upon City's request, DFO shall make payments of Rent by ACH transfer to City's bank account as designated in writing by City. The Rent for any fractional part of a calendar month at the commencement or termination of the Term shall be a prorated amount of the Rent for a full calendar month based upon a thirty (30) day month.

4.7.3 Monthly Gross Revenue Report. In addition to the provision of daily sales revenue data in a format specified by the Executive Director via electronic means as required under Section 5.5 below, on the twentieth (20th) day of each calendar month throughout the Primary Term of this Agreement, DFO shall submit a monthly accounting of the Gross Revenues for the prior calendar month, including a statement of the Rent payable for such period (e.g., MAG and Percentage Rent). Each monthly accounting shall be in such manner and detail and upon such forms as are prescribed from time to time by Executive Director. Such accounting detail shall include, but not necessarily be limited to, the following: Sales by category, sales by location, and average transaction value by airline and flight number. Each monthly report is due on the same date as the payment of the Monthly Performance Rent Payment for that month is due. The monthly report shall be delivered to City at the following address or such other address as the Executive Director may designate in writing: [concessionsreporting@lawa.org](mailto:concessionsreporting@lawa.org). In addition to the foregoing monthly gross revenue report, the Executive Director may, in its sole discretion and with reasonable notice to DFO, require DFO within twenty (20) days following the end of each calendar month to report to the Airport's Chief Financial Officer certain operating statistical and financial data applicable to the Airport covering the previous calendar month in such form and content as shall be reasonably specified by the Chief Financial Officer.

4.7.4 Annual Gross Revenue Report. Within sixty (60) days after the end of each Year, DFO shall submit an annual accounting of the Gross Revenues, including a statement of the Rent payable for such period (e.g., MAG, Performance Rent, Percentage Rent and Contingent Rent). In addition to aggregate Gross Revenues figures for the entire Premises, DFO shall separately provide Gross Revenues figures for the Premises within each Facility and each Unit shall also be reported on a separate basis. Each annual accounting shall be in such manner and detail and upon such forms as are prescribed by Executive Director. Such accounting detail shall include the detail referred to in Section 4.7.3 above. The annual report shall be delivered to City at the following address or such other address as the Executive Director may designate in writing: [concessionsreporting@lawa.org](mailto:concessionsreporting@lawa.org). Each monthly and annual report shall be certified by an authorized officer of DFO as being accurate and complete. The receipt by City of any monthly or annual report, accounting or statement or any payment of Base Rent, MAG, Performance Rent, Percentage Rent, Contingent Rent or other Rent for any period shall not bind City as to the correctness of the monthly or annual report accounting or statement or the correctness of any payment. Each annual report shall, at DFO's cost and expense, be certified by an independent Certified Public Accounting firm, satisfactory to the Executive Director.

4.7.5 Other Annual Reports. Within one hundred twenty (120) days of the close of DFO's taxable year, DFO shall furnish to City detailed financial statements, including a balance sheet, an income statement and notes to the financial statements, prepared as of the close of DFO's taxable year, covering all business transacted by DFO at the Airport (the "**Financial Statements**"), and such other reasonable financial and statistical reports as Executive Director may, from time to time, require (including, without limitation, the maintenance reports required

under Section 8.1). Said financial statements shall be reviewed by an independent Certified Public Accountant.

4.7.6 Late Charge. Notwithstanding any other provision of this Agreement to the contrary, DFO hereby acknowledges that late payment to City of Rent, or other amounts due hereunder will cause City to incur costs not contemplated by this Agreement, the exact amount of which will be extremely difficult to ascertain. If any Rent or other sums due from DFO are not received by City within ten (10) days after their due date, then DFO shall pay to City a late charge equal to five percent (5%) of such overdue amount, plus any costs and attorneys' fees incurred by City by reason of DFO's failure to pay such Rent or any other charges when due hereunder. City and DFO hereby agree that such late charges represent a fair and reasonable estimate of the cost that City will incur by reason of DFO's late payment and shall not be construed as a penalty. City's acceptance of such late charges shall not constitute a waiver of DFO's default with respect to such overdue amount or stop City from exercising any of the other rights and remedies granted under this Agreement.

4.7.7 Interest. Any installment of Rent and any other sum due from DFO under this Agreement which is not received by City within ten (10) days from when the same is due shall bear interest from the date such payment was originally due under this Agreement until paid at the greater of (a) an annual rate equal to the maximum rate of interest permitted by law, or (b) fifteen percent (15%) per annum. Payment of such interest shall not excuse or cure any Default (as defined in Section 11.1 below) by DFO. In addition, DFO shall pay all costs and attorneys' fees incurred by City in collection of such amounts.

4.7.8 Prepayment. Notwithstanding anything to the contrary contained in this Agreement, in the event DFO shall fail to pay any Rent when due hereunder, City shall have the right to require DFO to pay the Monthly MAG Payment, and all other amounts payable by DFO to City under this Agreement quarterly in advance of when such payments would otherwise be due. Such prepayment will be based on the highest monthly Rent previously due from DFO under this Agreement. Such right shall be exercised by a written notice from City to DFO, which notice may be given any time after such default by DFO, regardless of whether the same is cured by DFO. Nothing in this Section shall limit City's other rights and remedies under this Agreement.

4.8 Books and Records. DFO shall establish and maintain a business office in the County of Los Angeles. DFO shall maintain in said office or in such other office approved by the Executive Director, during the term of the Agreement, its permanent books and records (herein "**Books and Records**"), including but not limited to balance sheets, income statements, general ledgers, subsidiary ledgers, trial balances, sales journals, invoices, chart of accounts and all other supporting documents wherein are kept all entries and information necessary to perform an audit of (i) rentals, fees, and other charges paid and payable to City, (ii) all financial information relating to the Gross Revenues and all other transactions of DFO at the Airport, (iii) any and all construction costs in connection with any construction performed by or on behalf of DFO at the Airport, and (iv) any other matters relating to the performance of DFO's obligations under this Agreement. City may, in the Executive Director's sole discretion and with reasonable notice to DFO, require DFO to provide access to all Books and Records and other information necessary in connection with any audit by City under this Agreement. City's right to access such records and information shall survive four (4) years beyond the expiration or earlier termination

of this Agreement. Unless otherwise authorized by the Executive Director in writing, DFO shall retain all Books and Records and any other information necessary to perform any audit as described in this Agreement during the entire term of this Agreement and for a minimum of four (4) years thereafter.

4.8.1 Examination of Records. City's accountants or representatives may examine the Books and Records of DFO for the purpose of conducting an audit. DFO shall produce these records for inspection and copying at the Premises or, at Executive Director's option, City's offices within ten (10) days of Executive Director's request. In the event DFO does not make available to City the pertinent books and records at the Airport within the aforesaid ten (10) days as set forth in this Section, DFO agrees to pay for all travel costs, housing, meals, and other related expenses associated with the audit of said books, reports, accounts, and records by City at DFO's place of records at any time during its ordinary business hours. If DFO's Books and Records have been generated from computerized data, DFO agrees to provide City with extracts of the data files in a computer readable format or other suitable alternative computer data exchange formats. City shall have the right to interview such employees and representatives of DFO City deems necessary to conduct and support the audit.

4.8.2 Audit; Deficiencies. If it is determined by City as a result of an audit that there has been a deficiency in the payment of any Rent (a "**Deficiency**"), then such Deficiency shall immediately become due and payable upon thirty (30) days written demand by City. In connection with any audit conducted by City, deficiencies ascertained by applying percentages of error obtained from such testing and sampling to the entire period of reporting under examination will be binding upon DFO. If DFO believes that any audit performed on behalf of City has disclosed an isolated error and wishes to increase the sample size of the audit or perform a detail audit, DFO shall pay City for any additional audit procedures. In the event any deficiencies in the amount of two percent (2%) or greater of any item being audited with respect to Rent payable to City hereunder is ascertained by City, DFO agrees to pay City for the cost of the audit and the Deficiency (and the provisions of Section 4.7.6 (Late Charge) and Section 4.7.7 (Interest) shall apply to the amount of the Deficiency).

4.8.3 Confidentiality. The execution of a confidentiality agreement shall not be a prerequisite to the conduct of any audit by City hereunder. However, to the maximum extent permitted under applicable Laws, all information gained by City from such examinations shall be confidential and shall not be disclosed other than as may be required by court order, other legal process or pursuant to the provisions of the California Public Records Act; *provided, however*, the foregoing shall not prevent the use of such information in connection with any litigation between the City and DFO; *provided, further*, to the extent commercially reasonable under the then-existing circumstances, City shall use commercially reasonable efforts to give written notice to DFO in advance of such disclosure to afford DFO the opportunity to attempt to secure available protective measures to safeguard such information.

4.9 Taxes. DFO shall pay all taxes and assessments of whatever character that may be levied or charged upon the rights of DFO to use the Premises (or any portion thereof), or upon DFO's improvements, fixtures, equipment or other property thereon, or upon DFO's operations in connection with this Agreement. In accordance with California Revenue and Taxation Code Section 107.6(a), City states that by DFO's executing this Agreement and accepting the benefits thereof, a property interest may be created known as a "possessory interest" and such

property interest will be subject to property taxation. DFO, as the party in whom the possessory interest is vested, may be subject to the payment of the property taxes levied upon such interest. DFO shall protect, defend, indemnify and hold harmless City and City Agents from and against Claims incurred by or asserted against City or any City Agent in connections with any and all present or future taxes and assessments of whatever character that may be levied or charged upon the rights of DFO to use the Premises (or any portion thereof), or upon DFO's improvements, fixtures, equipment or other property thereon, or upon DFO's operations in connection with this Agreement.

4.10 Faithful Performance Guarantee. DFO shall furnish to City, at DFO's sole cost and expense, and shall keep in full force and effect and available during the complete term of this Agreement (including any unauthorized hold over period) and for thirty (30) days after the surrender of possession in accordance with the requirements of this Agreement, a Faithful Performance Guarantee ("**FPG**") to secure the faithful and timely performance by DFO of all terms, provisions, and covenants contained in this Agreement, including, but not limited to, the payment of the Base Rent (including any Performance Rent), Additional Rent, the Storage Rent (as defined in Exhibit "E"), and any other specified compensation. The initial amount of the FPG shall be an amount equal to twenty-five percent (25%) of the Minimum Annual Guaranteed Rent in effect as of the commencement of the Primary Term (herein, the "**FPG Amount**"). Such FPG shall be separate from any other guarantee(s) required by City.

4.10.1 Commencing on first day of the second Year and the first day of each Year thereafter during the Primary Term (including any extension thereof), the FPG Amount shall be adjusted to equal twenty-five percent (25%) of the Minimum Annual Guaranteed Rent for such Year then beginning; provided, however, that in no event shall the FPG Amount as so adjusted be less than the initial FPG Amount in effect on the commencement of the Primary Term. Such adjustment shall be made within thirty (30) days following DFO's submittal of the annual report for the prior Year.

4.10.2 To the extent City may require as part of City's construction approval process that Alterations installed by DFO are to be removed upon the expiration or earlier termination of this Agreement, then the FPG may be increased by the amount reasonably estimated as the cost to remove such Alterations and to restore any damage to the Premises caused thereby.

4.10.3 The FPG shall be in the form of an irrevocable standby letter of credit ("**LOC**"), which shall be self renewing with an "evergreen clause" that renews the credit from year to year without amendment, subject to termination upon sixty (60) days written notice to City, and issued by issuer acceptable to City, with offices in Los Angeles, California. The LOC shall allow for partial and multiple drawings by City, and must have an expiry date consistent with the ability to make such drawings for the full period required hereunder. The FPG and all amendments increasing the FPG Amount must be approved as to form by the City Attorney.

4.10.4 DFO shall furnish the FPG in duplicate no later than ten (10) days after the Effective Date of this Agreement, and any amendments to the FPG relating to the adjustment of the FPG Amount shall be delivered to City within thirty (30) days following the effective date of such adjustment. If, for any reason, said FPG is not provided by DFO or is not thereafter maintained in sufficient amount throughout the Term hereof, City, subject to the notice

requirements of this Agreement may terminate this Agreement at any time upon giving DFO five (5) days prior written notice. Following the expiration or earlier termination of this Agreement, and if DFO has satisfied all of its obligations to City hereunder, City shall relinquish to DFO said FPG following such expiration or earlier termination and satisfaction of all obligations to City. The FPG shall be submitted to:

Revenue Accounting  
Department of Airports  
P.O. Box 92214  
Los Angeles, CA 90009

4.10.5 If, at any time during the term of this Agreement, the issuer with respect to the FPG shall, in the opinion of Executive Director, become unacceptable, the Executive Director shall have the right to require a replacement LOC which DFO shall furnish to the satisfaction of Executive Director within thirty (30) days after written notice to do so.

## V OPERATING STANDARDS.

5.1 Operating Standards. This Article and its Sections pertain to DFO's operational obligations. The operating standards set forth in Article V and its Sections below are minimum operating standards, and are in addition to the operating standards set forth in the Business and Operations Plan. The parties agree that DFO's performance of its obligations under this Article V with respect to the monitoring and enforcement of the operating standards for concession operations within the Premises are extremely important to City, and that DFO's failure to perform those activities will result in administrative and monitoring expenses to City and its staff, which may be charged to DFO in the discretion of the Executive Director.

### 5.2 Staffing and Personnel.

5.2.1 Generally. DFO shall employ a full-time trained professional staff at all times during the term of this Agreement of sufficient size, expertise, ability, suitability, and experience in retail, customer service and concession management to carry out all of its obligations and responsibilities under this Agreement. DFO shall maintain a sufficient number of operating staff on-site at the Premises during the service hours as more particularly set forth in the Business and Operations Plan. DFO operating staff on the Premises shall be available by telephone and/or such other communications device as the Executive Director may require during the service hours. DFO shall maintain a sufficient number of personnel, including, without limitation, cashiers, management and supervisory personnel, to fully meet the needs of customers during the service hours. DFO shall, at its sole cost and expense, furnish prompt, courteous and efficient service and shall ensure polite and inoffensive conduct and demeanor on the part of their respective representatives, agents and employees, collectively referred to herein as "**Personnel.**" All such Personnel shall provide a high level of customer service consistent with first class retail concession operations and shall use skill and diligence in the conduct of business. All such Personnel, while on or about the Premises (and any Unit therein), shall be clean, neat in appearance and shall be appropriately attired, with badges or other suitable means of identification clearly visible. DFO shall ensure that all Personnel conform to personal hygiene and product handling requirements established by the Rules and Regulations and the applicable Laws (hereinafter defined), whichever is most stringent. No Personnel, while on or about the

Premises (or any Unit therein), shall use improper language, act in loud, boisterous or otherwise improper way or be permitted to solicit business in an inappropriate manner. DFO shall ensure that all Personnel that interact with the public can adequately communicate with customers and are professional and courteous in interactions with the public. All Personnel shall have sufficient knowledge of the Facilities and the Airport to promptly direct and assist passengers in and around the Facilities and the Airport.

5.2.2 Customer Complaints. In the event that DFO receives complaints concerning the concession operations within the Premises, DFO shall comply with the policies and procedures regarding customer complaints set forth in the Business and Operations Plan.

5.2.3 Objections. City (through the Executive Director) shall have the right to object to the demeanor, conduct, and appearance of any Personnel at the Premises (including any Unit therein), subject to applicable Laws. DFO shall take all steps reasonably necessary to remedy the cause of any objection by City. DFO shall be responsible for the immediate removal from the Premises, or discipline in accordance with DFO's employee discipline policy, of any Personnel who participate in improper or illegal acts on the Airport, or who violate any of the Rules and Regulations or any provision of this Agreement.

5.2.4 City Not Liable for Employment Issues. This Agreement does not establish any employer-employee, joint venture or agency relationship between City and DFO, and DFO is and shall be engaged independently in the business of managing the Premises (including each Unit therein) on its own behalf. All employment arrangements and labor agreements with Personnel are, therefore, solely and exclusively DFO's rights, obligations and liabilities, and City shall have no obligations or liability with respect thereto. DFO hereby agrees to indemnify, defend, and hold City, the Board, Executive Director and their respective Board members, officers, directors, employees, agents, advisors, attorneys, and representatives (collectively, "**City Agents**") harmless from and against any Claims of whatever nature that arise in connection with any such employment arrangements or labor agreements relating to DFO.

5.3 DFO's Key Personnel. During the term of this Agreement, DFO shall provide qualified Personnel to staff each of the following positions: General Manager (LAX) and Assistant General Manager (LAX) (individually, a "**Key Position**" and collectively the "**Key Positions**"). The Executive Director shall have the right to object to the performance of any person occupying a Key Position, and subject to compliance with applicable Laws, DFO shall promptly replace the person serving in such Key Position with other qualified Personnel.

#### 5.4 Hours of Operation.

5.4.1 Minimum Hours of Operation. The Premises (including the Units within the Premises) shall be open for business every day, three hundred sixty-five (365) days per year. DFO shall operate each Unit within a Facility in accordance with the following minimum hours of operation ("**Minimum Hours of Operation**"):

(a) Duty Free Units. The Minimum Hours of Operation for Units selling duty free merchandise serving outbound international passengers shall be at least two hours before each scheduled international flight departure until fifteen (15) minutes after such departure, without exception. In the event that arrivals duty free sales become authorized by the

United States Customs and Border Protection agency and if suitable concession space is made available by the Executive Director hereunder, then the Minimum Hours of Operation for Units selling duty free merchandise in arrivals areas shall be from the time of arrival of each international flight until all passengers on each such flight exit from the arrivals area.

(b) Duty Paid Units. The Minimum Hours of Operation for Units selling solely duty paid merchandise shall be as follows: (i) if such Unit is located on the departure level of a Facility, the Minimum Hours of Operation shall be at least two hours before the first scheduled departure from such Facility until the last departure of the day from such Facility, without exception, and (ii) if such Unit is located on the arrival level of a Facility, the Minimum Hours of Operation shall be from the first scheduled arrival at such Facility to at least an hour after the last scheduled arrival at such Facility, without exception.

Except in connection with the expiration or earlier termination of this Agreement, DFO may not vacate or abandon the Premises (including any Unit therein) at any time.

5.4.2 Executive Director May Alter Hours. The Executive Director may, on 24 hour notice to DFO temporarily or permanently modify the Minimum Hours of Operation for any Premises (including any Unit therein). DFO shall comply with such modifications. Upon the written request of DFO, Executive Director may, from time to time, authorize a later opening or earlier closing time for any Premises (or any Unit therein), provided Executive Director first finds that DFO has submitted adequate justification therefor; *provided, however*, decreases in passenger traffic shall not be considered adequate justification.

#### 5.5 Monthly Sales Reports; Electronic Sales Data; Credit Cards.

5.5.1 Gross Sales Reports. During the Primary Term, DFO shall, on or before the twentieth (20<sup>th</sup>) day of each month, provide to City a monthly report setting forth the gross sales by Unit of each of the Units within the Premises for the prior calendar month. Such monthly report shall be in such form and detail as may be prescribed by the Executive Director from time to time.

5.5.2 Electronic Sales Data. At any time during the term of this Agreement, the Executive Director may require DFO to provide to City, at DFO's sole cost and expense, accurate real-time daily sales revenue data via electronic means in a format that is compatible with City's system.

5.5.3 Credit Cards, Foreign Currency. DFO shall not be required to accept foreign currency. If DFO elects to accept foreign currency, such may only be accepted for payment of goods and shall not be exchanged. In addition, DFO shall be required to accept all major credit and debit cards in payment for goods and services sold, and there shall be no minimum purchase requirement for transactions using such credit and debit cards. In the event of a dispute regarding what constitutes a major credit or debit card, the determination of the Executive Director shall be conclusive and binding. DFO shall provide, without charge, change-making services at each cashier location in United States denominated coin and currency.

5.6 Deliveries; Access and Coordination. To the extent airside access rights are granted to DFO, DFO shall comply with all applicable Rules and Regulations and Laws in order to obtain clearance for airside access. Except and to the extent expressly directed by Executive

Director in writing, all deliveries of products, goods, merchandise, supplies, and other materials to and from the Premises (including any Unit therein) and trash removal from the Premises (including any Unit therein) necessary to the operation of the Premises (or any Unit therein) shall be conducted through the airside locations designated in the Initial Improvement Plan or Construction Approval Process (as defined in Section 7.7 below), as such airside locations may be changed by Executive Director from time to time upon written notice to DFO. DFO acknowledges and agrees that all such deliveries by DFO shall be in conformance with the Rules and Regulations and security requirements in effect with respect to airside operations at the Airport, and DFO shall bear all costs incurred by them in connection with their respective compliance. DFO shall make deliveries only within the times and at locations authorized by Executive Director. DFO shall require that all airside deliveries be made by vehicles and drivers qualified and permitted by City to drive over airside access roadways. Delivery hours and locations may be specified and changed from time to time at the sole discretion of Executive Director.

5.6.1 Removal of Garbage and Refuse. DFO shall strictly comply with the Rules and Regulations and applicable Laws regarding the disposition of trash, rubbish, refuse, garbage and recycled materials, shall regularly remove all trash, rubbish, refuse, garbage and recycled materials from the Premises to the appropriate garbage or refuse disposal area or recycled materials area designated by Executive Director from time to time and shall remove the accumulation of all such material in such area or areas at frequent intervals. Prior to removal to such garbage or refuse disposal area, DFO shall store all trash and other waste in covered, odor, leak and vermin proof containers (including recycling containers), such containers to be kept in areas not visible to members of the public. Accumulation of trash, boxes, cartons, barrels or other similar items shall not be permitted in any public area at Airport.

5.6.2 LAWA Waste Reduction and Removal. DFO shall comply with current and future Rules and Regulations and other regulations promulgated by the City of Los Angeles regarding the reduction and recycling of trash and debris. Without limiting the generality of the foregoing, DFO shall participate in meeting the Airport's mandated goal of seventy percent (70%) waste diversion by 2015, by developing and implementing a program to remove as much recyclable material from the waste stream as possible (a "**Recycling Program**"). Any Recycling Program shall consist of at a minimum mixed office paper and cardboard recycling, beverage container recycling in employee break areas and public areas if applicable, diversion through 2-sided copying, reuse of pallets, utilization of minimum thirty percent (30%) recycled content copy paper and other recycled content paper goods. DFO shall prepare and submit to City a written description of such Recycling Program with respect to the Premises (and each Unit therein) as part of the Business and Operations Plan. DFO shall incorporate reasonable revisions to such Recycling Program required by City. If DFO's corporate management has a written policy on waste reduction and sustainability, DFO shall provide a copy of such policy to City at the notice address set forth in the Basic Information, Attention: LAWA Recycling Coordinator. DFO shall provide a quarterly report to the LAWA Recycling Coordinator (in the form and format prescribed by City) detailing the volume and type of materials diverted from the waste stream in accordance with such Recycling Program. Such quarterly report shall also describe other waste minimization practices, such as reuse of materials and equipment, salvaging of materials and recycling of construction and demolition waste. Without limiting the generality of City's other access and inspection rights under this Agreement, City shall have the right to access

the Premises during regular business hours to review and verify DFO's compliance with its Recycling Program and other waste minimization practices.

5.6.3 Trash/Re-Cycling Removal System. DFO acknowledges that the Executive Director may implement coordinated systems for trash recycling and removal and that such coordinated systems may (a) be operated by one or more third party contractors, (b) require the use of a designated transfer locations, (c) require the payment or reimbursement by DFO and other participants of costs and expenses, and any such amounts payable or reimbursable if paid to City shall be Additional Rent hereunder, or may be payable to such third party contractors pursuant to separate agreements with such contractors; and (d) DFO understands and acknowledges that, if implemented, participation with the coordinated systems may be mandatory. DFO shall be responsible for all trash recycling and removal until such time as Executive Director delivers written notice to DFO that such systems are being implemented.

5.6.4 Central Inspection Delivery Checkpoint. DFO acknowledges that the Executive Director may at some point during the term of this Agreement require DFO to exclusively deliver products, merchandise, supplies and other materials through a mandatory central inspection delivery checkpoint. In the event that any such new delivery systems are implemented, DFO shall be required to reimburse City for DFO's share of the operating costs of such systems, as determined by the Executive Director.

5.7 Quality Assurance Audits. DFO shall perform quality assurance audits with respect to the operations at each Unit and the Premises and compliance with the terms of this Agreement in accordance with the provisions of the Business and Operations Plan.

5.8 Prohibited Acts. DFO shall not do or permit to be done anything specified in Sections 5.8.1 through 5.8.8. Specifically, DFO shall not:

5.8.1 Interfere with Access. Do anything which may interfere with free access and passage in the Premises, the Common Areas adjacent thereto (including, without limitation, the elevators, escalators, streets or sidewalks of the Airport), or any restricted non-Common Areas of the Airport, or hinder security, police, fire fighting or other emergency personnel in the discharge of their duties, or hinder access to utility, heating, ventilating or air-conditioning systems, or portions thereof, on or adjoining the Premises or the Common Areas adjacent thereto. Without limiting the generality of the foregoing, DFO shall not install any racks, stands or other display of merchandise or trade fixtures at the Airport outside of the Premises without the prior written consent of Executive Director.

5.8.2 Interfere with Systems. Do anything which may interfere with the effectiveness of utility, heating, ventilating or air-conditioning systems or portions thereof in or adjoining the Premises (including lines, pipes, wires, conduits and equipment connected with or appurtenant thereto) or interfere with the effectiveness of elevators or escalators in or adjoining the Premises, or overload any floor in the Premises.

5.8.3 Permit Smoking Where Prohibited. Do anything contrary to the Board of Airport Commissioners' policy, City ordinances, or Section 41.50 of the Los Angeles Municipal Code, which prohibits smoking.

5.8.4 Install Unauthorized Locks. Place any additional lock of any kind upon any window or interior or exterior door in the Premises (including any Unit therein), or make any change in any existing door or window lock or the mechanism thereof, unless a key therefor is maintained in such Premises (including any Unit therein), nor refuse, upon the expiration or sooner termination of this Agreement, to surrender to Executive Director any and all keys to the interior or exterior doors in, and on the Premises (including each Unit therein), whether said keys were furnished to or otherwise procured by DFO, and in the event of the loss of any keys furnished by Executive Director, DFO shall pay City, within thirty (30) days of written demand, the cost for replacement thereof, and the cost of re-keying City's locks. DFO shall install lock boxes in the Premises (including all Units therein) with copies of keys, as required by City.

5.8.5 Noise and Lights; Other Interference. No loudspeakers, televisions, video monitors, sound systems, audio players, radios, flashing lights or other devices shall be installed in the Premises (including any Unit therein) or used in a manner so as to be heard or seen outside of such Premises (or such Unit) without the prior written consent of Executive Director (including obtaining, and complying with, all applicable City construction approval conditions). DFO shall conduct its operations on the Premises in such manner as to reduce as much as is reasonably practicable, considering the nature and extent of said operations, any and all activities which interfere unreasonably with the use of other premises adjoining the Premises at the Airport, including, but not limited to, the emanation from the Premises of noise, vibration, movements of air, fumes, and odors.

5.8.6 Increase Liability. Do any act or thing upon or about the Premises (any Unit therein) which will invalidate, suspend or increase the rate of any fire insurance policy required under this Agreement, or carried by City, covering the Premises, or the Facility in which the same are located or which, in the opinion of Executive Director, may constitute a hazardous condition that will increase the risks normally attendant upon the operations contemplated under this Agreement. If, by reason of any failure on the part of DFO after receipt of notice in writing from City to comply with the provisions of this section, any fire insurance rate on the Premises, or any part thereof, or on the Facility in which the same are located, shall at any time be higher than it normally would be, then DFO shall pay City, within thirty (30) days of written demand as Additional Rent, that part of all fire insurance premiums paid by City which have been charged because of such violation of failure of DFO; *provided, however*, that nothing contained herein shall preclude DFO from bringing, keeping or using on or about any Unit such materials, supplies, equipment and machinery as are appropriate or customary in carrying on its business, or from carrying on said business in all respects as is customary.

5.8.7 Airport Hazard. Make any uses of the Premises (including any Unit therein) in any manner which might interfere with the landing and taking off of aircraft from the Airport or otherwise constitute a hazard to such operations.

5.8.8 Permit Unlawful Use. Use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purposes, or commit any waste upon the Premises.

In the event that any of the aforesaid covenants or restrictions set forth above in this Section 5.8 is breached, City reserves the right to enter upon the Premises (including any Unit therein) and cause the abatement of such interference at the expense of DFO.

## 5.9 Signs, Promotions & Displays.

5.9.1 Subject to the restrictions contained in Section 3.7, DFO shall not erect, construct or place any sign, promotion or display in, on or upon any portion of the Premises (including any Unit therein) or the Airport unless DFO has submitted to Executive Director drawings, sketches, design dimensions, and type and character of such sign, promotion or display proposed to be placed thereon or therein and has received written approval from Executive Director with respect thereto. Notwithstanding the foregoing, DFO may, without the prior consent of the Executive Director, place signs or displays within each Unit that promote the products and/or services sold by DFO in such Unit, provided that such sign or display is not readily visible from outside of such Unit. All signs, promotions and displays shall comply with applicable design guidelines of City as revised from time to time and all applicable construction approvals and conditions. DFO shall not erect, construct or place any sign, promotion, advertisement or display outside the Premises, without the prior written approval of the Executive Director.

5.9.2 Other than signs, promotions and displays approved or permitted pursuant to Section 5.9.1, DFO shall not, at any time, under any circumstances, install, place, or maintain any type of advertising in, on or upon the Premises or the Airport.

5.9.3 In addition, DFO's Units shall be free of all third party advertising, signs, credit card application dispensing units, posters, and banners. Noncompliance by DFO with the provisions of this Section 5.9 shall result in City's right to immediately remove said unauthorized signs, advertising, or other written materials and to store same at DFO's expense. City may dispose of said signs, advertising, or other written materials if DFO has not paid City's expenses for removal and storage, plus the Administrative Fee, and claimed said signs, advertising, or other written materials within fifteen (15) calendar days after City has provided written removal notice.

5.9.4 Removal of Signs. Upon the expiration or earlier termination of this Agreement (or any partial termination with respect to portion of the Premises), DFO shall remove, obliterate or paint out, any and all of DFO's signs, promotions and displays as Executive Director may direct. In addition, upon demand by Executive Director, DFO shall remove, obliterate or paint out, any signs, promotions, advertising or displays placed or installed in violation of this Agreement, as Executive Director may direct. If DFO fails to do so, Executive Director may cause said work to be done at the sole cost and expense of DFO, and DFO shall pay the same to City, plus the Administrative Fee, as Additional Rent within thirty (30) days of receipt of City's invoice.

5.10 Licenses and Permits. DFO shall obtain and pay for all licenses and permits necessary or required by law for the conduct of DFO's operations at the Premises.

## 5.11 Compliance with Laws.

5.11.1 DFO shall, at DFO's sole cost and expense, (and shall cause DFO's sub-concessionaires, employees, contractors, representatives, agents, permittees and invitees (individually, a "DFO Party" and collectively, the "DFO Parties") to) fully and faithfully observe and comply with (a) all municipal, state and federal laws, statutes, codes, rules,

regulations, ordinances, requirements, and orders (collectively, "**Laws**"), now in force or which may hereafter be in force pertaining to the Premises or DFO's use of the Premises, the Facility(ies) or the Airport (including without limitation, (i) all safety, security and operations directives of City, including by Executive Director, which now exist or may hereafter be promulgated from time to time governing conduct on and operations at the Airport or the use of facilities at the Airport; and (ii) any and all valid and applicable requirements of all duly-constituted public authorities (including, without limitation, the Department of Transportation, the Department of Homeland Security, the Federal Aviation Administration, and the Transportation Security Administration)); (b) all recorded covenants, conditions and restrictions affecting the Airport ("**Private Restrictions**") now in force or which may hereafter be in force; and (c) the Rules and Regulations. The judgment of any court of competent jurisdiction, or the admission of DFO in any action or proceeding against DFO, whether City be a party thereto or not, that DFO has violated any Laws or Private Restrictions, shall be conclusive of that fact as between DFO and City. As used in this Agreement, "**Laws**" shall include all present and future federal, state and local statutes, ordinances and regulations and City ordinances applicable to DFO, the Premises (including the Units), the Permitted Use or the Airport, including but not limited to requirements under the Americans with Disabilities Act, 42 U.S.C. § 12101 et seq., including, without limitation, to Title III thereof, and all regulations and guidelines related thereto, together with any and all laws, rules, regulations, ordinances, codes and statutes now or hereafter enacted by local or state agencies having jurisdiction thereof (including, without limitation, all of the requirements of Title 24 of the California Code of Regulations), as the same may be in effect on the date of this Agreement and may be hereafter modified, amended or supplemented (collectively, the "**ADA**"), all acts and regulations relating in any way to food and drugs, worker's compensation, sales and use tax, credit card processing, social security, unemployment insurance, hours of labor, wages, working conditions, the Immigration Reform and Control Act of 1986, United States Customs and Border Patrol regulations, the City of Los Angeles Administrative Code, and all Hazardous Materials Laws (as defined in Section 15 below).

5.11.2 DFO agrees to pay or reimburse City as Additional Rent for any civil penalties or fines which may be assessed against City as a result of the violation by DFO or any DFO Party of any Laws or Private Restrictions, which payment shall be made by DFO within thirty (30) days from receipt of City's invoice for such amount and documentation showing that payment of such penalty or fine is DFO's responsibility hereunder.

5.12 Airport Operations. DFO acknowledges that the operational requirements of the Airport as an airport facility, including without limitation security requirements, are of paramount importance. DFO acknowledges and agrees that DFO 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, DFO waives all Claims against City and City Agents arising out of or connected to the operation of the Airport as an airport facility.

## **VI AIRPORT DISADVANTAGED BUSINESS ENTERPRISE PROGRAM.**

6.1 Compliance with Department of Transportation (DOT). City strictly prohibits all unlawful discrimination and preferential treatment in contracting, subcontracting and purchasing, leasing or any subleasing under this Agreement (the "**Non-Discrimination Policy**").

Additionally, City has established an Airport Concession Disadvantaged Business Enterprise program in accordance with regulations of the U.S. Department of Transportation, 49 Code of Federal Regulations Part 23 (the “**ACDBE Rules**”). DFO shall comply with the Non-Discrimination Policy and the ACDBE Rules and shall not discriminate against any business owner because of the owner’s race, color, national origin, or sex in connection with its performance under this Agreement, the management of the concession, subleasing, or purchasing. DFO shall cooperate with City in City’s program of recruiting, training, providing technical assistance and holding workshops to ensure that contracting, subcontracting and purchasing opportunities available under this Agreement are accessible and available to all qualified businesses owners, including “Airport Concession Disadvantaged Business Enterprises” (“**ACDBEs**”), as defined in the ACDBE Rules. In order to provide a fair opportunity for ACDBE participation, DFO shall make good faith efforts, within the meaning of the ACDBE Rules, to provide for a level of ACDBE participation in the concession operations contemplated by this Agreement equal to or greater than twenty percent (20%).

6.2 Substitutions. Should a substitution or an addition of an ACDBE become necessary, DFO shall comply with all requirements of the ACDBE Rules. Failure to comply with the ACDBE Rules shall constitute a breach of this Agreement.

6.3 Monthly Report. In order to assure compliance with the Non-Discrimination Policy and the ACDBE Rules, DFO shall submit, in the format required by Executive Director, a monthly report to City, describing the gross receipts of each initial ACDBE (and each substitute ACDBE), in each case calculated in accordance with the requirements of the Business and Operations Plan. DFO shall submit in the format required by the Executive Director such other information as may be requested by the Executive Director to ensure compliance with the ACDBE Rules.

## **VII IMPROVEMENTS AND REFURBISHMENTS.**

7.1 DFO’s Design and Construction Obligations – In General. DFO shall, at DFO’s cost and expense, design and complete in a timely manner the construction of all improvements and the installation of all fixtures and equipment required to be constructed or installed by DFO pursuant to the terms of this Agreement. DFO shall also provide, at DFO’s cost and expense, all trade fixtures, furnishings and other personal property necessary to operate the concession operations contemplated by this Agreement to the satisfaction of the Executive Director. DFO shall act as project manager for its sub-concessionaires’ design and construction programs, if any. DFO shall coordinate its design and construction activities in a manner consistent with other design and construction activities occurring within the Facilities, including, without limitation, the design and construction activities of any Terminal Commercial Manager (herein, “**TCM**”), other concessionaires, or tenants within any such Facility. DFO shall manage and coordinate all such activities in such a manner as to minimize, to the greatest extent practicable, disruption of or interference with Airport and Facility operations. In the event of a dispute between DFO and any TCM, concessionaire or tenant regarding design or construction activities or related interference with operations, DFO shall immediately report such dispute to the Executive Director and promptly thereafter meet and confer with the Executive Director. The Executive Director shall have the right to resolve any such dispute, and any such decision or other resolution by the Executive Director shall be final and binding upon DFO. Such decision or other resolution shall be in the Executive Director’s sole discretion.

7.2 Prevailing Wage. Construction work performed on City's property will require payment of prevailing wages, if applicable. DFO is obligated to make the determination of whether the payment of prevailing wages is applicable, and DFO shall be bound by and comply with applicable provisions of the California Labor Code and federal, state, and local laws related to labor. DFO shall indemnify, defend and pay or reimburse City for any damages, penalties or fines (including, but not limited to, attorney's fees and costs of litigation) that City incurs, or pays, as a result of noncompliance with applicable prevailing wage laws in connection with the construction work performed in connection with this Agreement (including, without limitation, the Initial Premises Improvements, the Mid-Term Refurbishment and any Alterations hereunder).

7.3 Condition of Premises on Delivery Date. Exhibit "D" (Transition Information) attached to this Agreement sets forth a description of the condition in which each portion of the Premises will be delivered to DFO as of the Delivery Date for such portion of the Premises, and DFO agrees to accept such portion of the Premises in such condition. DFO acknowledges that, with respect to the Premises located within the Bradley West Modernization area of TBIT (e.g., Unit Nos. BW-01, BW-02, BW-06 and BW07), Exhibit "D" provides that such Premises will be delivered in the shell condition as described in that certain "Bradley West Modernization, F58 Tenant Lease Exhibits, 100% RFP Submittal, Date: March 28, 2011" (which was made available to DFO for review pursuant to the RFP), provided, however, that the TCM for TBIT shall have the right, with the approval of the Executive Director, to modify such shell condition in which such Premises will be delivered. Further, DFO acknowledges that the shell condition referred to in Exhibit "D" with respect to the Premises located in certain other Facilities is subject to future determination by the TCM for such Facility in which such portions of the Premises are located, as approved by the Executive Director, in coordination with the improvement plans of such TCM for such Facility. Except as otherwise set forth in Exhibit "D" (Transition Information) or otherwise agreed in writing by the Executive Director, upon the Delivery Date for each portion of the Premises, DFO shall accept such Premises in its "AS IS, WHERE IS" condition, and "WITH ALL FAULTS" and without any improvements or alterations to be made or constructed by City. Except as specifically set forth in this Agreement, neither City, nor any of City's agents and representatives, has made any oral or written representations or warranties of any kind whatsoever, express or implied, as to any matters concerning the Facilities or the Premises, including, without limitation, the condition of the Premises and the present and future suitability for DFO's intended use, and any modifications, improvements, additions, or repairs to the Premises and any fixtures, equipment or systems that are either required to be made in order to make the Premises suitable for DFO's intended use or required by Laws, Rules and Regulations, or Private Restrictions to be made to the Premises in connection with DFO's use of the Premises shall be constructed or installed by DFO, at DFO's sole cost and expense, and in compliance with Article VII of this Agreement. DFO acknowledges and agrees that DFO has performed its own due diligence on all matters relating to the Premises, including all technical and construction matters. Any "as-built" drawings, utility matrixes, or other technical information (including, but not limited to, architectural drawings or AutoCAD or other computer files) provided by City may not be accurate or complete. DFO's use of or reliance on any such information shall be at its sole risk, and City shall have no liability arising therefrom. Notwithstanding anything to the contrary contained in this Agreement, the suitability or lack of suitability of the Premises (including any Unit therein) for the Permitted Use, or the availability or lack of availability of permits or approvals of governmental or regulatory authorities with respect to any such Permitted Use of the Premises (including any Unit therein) shall not affect the rights or obligations of the parties hereunder.

7.4 Construction of Initial Premises Improvements. DFO shall, at DFO's cost and expense, initially design and improve the Premises (including each Unit therein) as described in the improvement plan attached hereto and incorporated herein as Exhibit "F" (the "**Initial Improvement Plan**"). DFO acknowledges that the improvements for certain portions of the Premises as identified in the Initial Improvement Plan are subject to future determination in coordination with the improvement plans of the TCM for the Facility in which such portions of the Premises are located, as approved by the Executive Director. Such future determinations, as approved by the Executive Director, shall supplement such portions of the Initial Improvement Plan with respect to such portions of the Premises. DFO shall provide, or cause to be provided, all improvements, fixtures, furnishings and equipment which are necessary to operate the Premises (including all Units therein) in accordance with the Initial Improvement Plan to the satisfaction of Executive Director. The term "**Initial Premises Improvements**" shall mean the initial improvements that are made by DFO to the Premises that are constructed at DFO's cost pursuant to the Initial Improvement Plan and are approved by the Executive Director following completion as such. Any closure during the construction of the Initial Premises Improvements, any provisions for temporary space or location of trade fixtures as well as the timing of applicable design and construction periods shall be approved by Executive Director and specified in writing as part of either the Initial Improvement Plan or the Construction Approval Process. Subject to delays due to events of Force Majeure (as defined in Section 7.4.1 below), DFO shall complete the Initial Premises Improvements for each Unit or other portion of the Premises by the date or dates set forth in the Initial Improvement Plan. The applicable date or dates for the completion of the Initial Premises Improvements for each Unit or other portion of the Premises is referred to herein as the "**Premises Completion Date**". The Executive Director shall have the right (but not the obligation) to extend the Premises Completion Date for any Unit or other portion of the Premises, which right may be exercised by the Executive Director in his or her sole discretion. The failure of DFO to design and/or construct any of the Initial Premises Improvements in the time and manner set forth in this Agreement shall constitute a material breach of this Agreement, and in addition to any and all other rights and remedies of City under this Agreement in connection with such breach (which rights and remedies shall be cumulative to the fullest extent permitted by law), the Executive Director shall have the right to terminate DFO's right to use, occupy and operate such Unit or other portion of the Premises that DFO has failed to so design or construct. Upon delivery of written notice by the Executive Director of such termination, such Unit or other portion of the Premises shall no longer be a part of the Premises under this Agreement. DFO shall also be responsible for the timely design and construction of any further improvements or renovations to the Premises (or any Unit therein) that may be required following the construction of the initial improvements on the Premises.

7.4.1 Definition of Force Majeure. For purposes of this Agreement, the term "**Force Majeure**" shall mean, in relation to the conditions that may cause a party to be temporarily, partially or wholly prevented from performing its obligations to the other party under this Agreement and not for any other purpose or for any benefit of any third party: any event beyond the reasonable control of the party claiming it, including, but not limited to, embargoes, shortages of material, acts of God, acts of public enemy (such as war, (declared or undeclared), invasion, insurrection, terrorism, riots, rebellion or sabotage), acts of a governmental authority (such as the United States Department Of Transportation, the United States Federal Aviation Administration, the United States Transportation Security Administration, the United States Environmental Protection Agency and defense authorities), fires, floods, earthquakes, hurricanes, tornadoes and other extreme weather conditions; provided,

however, that strikes, boycotts, lockouts, labor disputes, labor disruptions, work stoppages or slowdowns shall not be considered an event of Force Majeure. The term Force Majeure includes delays caused by governmental agencies in the processing of applicable building and safety permits but only to the extent that such processing time actually exceeds the normal and reasonable processing time period for such governmental agency permit; provided, however, that any delays caused by DFO in the processing of such permits (such as DFO's failure to submit complete applications for such permits) shall not be considered a basis for a claim of Force Majeure by DFO. Any lack of funds shall not be deemed to be a cause beyond the control of a party. If DFO shall claim a delay due to Force Majeure, DFO must notify City in writing within five (5) business days of the first occurrence of any claimed event of Force Majeure. Such notice must specify in reasonable detail the cause or basis for claiming Force Majeure and the anticipated delay in DFO's performance to the extent such anticipated delay is known to DFO at the time such notice to City is required. If DFO fails to provide such notice within said five (5) business day period, then no Force Majeure delay shall be deemed to have occurred. Delays due to events of Force Majeure shall only be recognized to the extent that such event actually delays the performance by such party and cannot otherwise be mitigated using commercially reasonable efforts.

7.5 Improvement Financial Obligation. Unless otherwise approved by the Executive Director, DFO covenants and guarantees that DFO shall make a collective capital investment in the Initial Premises Improvements in an amount not less than Twenty-five Million Dollars (\$25,000,000) (the "**Initial Minimum Investment Amount**"). The following types of expenditures by DFO shall not be included or otherwise credited toward the satisfaction of the Initial Minimum Investment Amount: (a) any interest or financing costs; (b) any architectural, design or in-house costs in excess of fifteen percent (15%) of the hard costs for the related improvements; and (c) any costs incurred for personal property placed or installed within the Premises (collectively, the "**Excluded Expenditures**"). The Initial Minimum Investment Amount shall be expended by DFO on the Initial Premises Improvements constructed in accordance with this Agreement on or before the applicable Premises Completion Date. In the event that DFO fails to invest the Initial Minimum Investment Amount as provided above, DFO shall pay to City the positive shortfall, as reasonably determined by the Executive Director, between the Initial Minimum Investment Amount and the amount actually invested by DFO in the Initial Premises Improvements (excluding any Excluded Expenditures). DFO shall pay to City any such shortfall within thirty (30) days following written demand by the Executive Director.

7.5.1 TBIT Capital Investment Commitment. Unless otherwise approved by the Executive Director, DFO covenants and guarantees that DFO shall make a capital investment in the Initial Premises Improvements that are to be constructed within TBIT in an amount not less than Seventeen Million Five Hundred Eighty-five Thousand Five Hundred Dollars (\$17,585,500) (the "**TBIT Minimum Investment Amount**"). Any Excluded Expenditures by DFO shall not be included or otherwise credited toward the satisfaction of the TBIT Minimum Investment Amount. The TBIT Minimum Investment Amount shall be expended by DFO on the Initial Premises Improvements within TBIT constructed in accordance with this Agreement on or before the applicable Premises Completion Date. DFO acknowledges that such minimum investment is of particular importance. In the event that DFO fails to invest the TBIT Minimum Investment Amount as provided above, DFO shall pay to City, as additional damages, the positive shortfall, as reasonably determined by the Executive Director, between the TBIT

Minimum Investment Amount and the amount actually invested by DFO in the Initial Premises Improvements within TBIT (excluding any Excluded Expenditures). Such payment to City shall be in addition to any payment due to City under Section 7.5 above in connection with DFO's failure to invest the Initial Minimum Investment Amount, and the acceptance of such payment by City shall in no event constitute a waiver of DFO's default with respect to such failure to perform, nor prevent City from exercising any of City's other rights and remedies granted under this Agreement. DFO shall pay to City such amount within thirty (30) days following written demand by the Executive Director.

7.5.2 Terminal 2 Capital Investment Commitment. Unless otherwise approved by the Executive Director, DFO covenants and guarantees that DFO shall make a capital investment in the Initial Premises Improvements that are to be constructed within Terminal 2 in an amount not less than Three Million Four Hundred Twelve Thousand Eight Hundred Dollars (\$3,412,800) (the "**Terminal 2 Minimum Investment Amount**"). Any Excluded Expenditures by DFO shall not be included or otherwise credited toward the satisfaction of the Terminal 2 Minimum Investment Amount. The Terminal 2 Minimum Investment Amount shall be expended by DFO on the Initial Premises Improvements within Terminal 2 constructed in accordance with this Agreement on or before the applicable Premises Completion Date. DFO acknowledges that such minimum investment is of particular importance. In the event that DFO fails to invest the Terminal 2 Minimum Investment Amount as provided above, DFO shall pay to City, as additional damages, the positive shortfall, as reasonably determined by the Executive Director, between the Terminal 2 Minimum Investment Amount and the amount actually invested by DFO in the Initial Premises Improvements within Terminal 2 (excluding any Excluded Expenditures). Such payment to City shall be in addition to any payment due to City under Section 7.5 above in connection with DFO's failure to invest the Initial Minimum Investment Amount, and the acceptance of such payment by City shall in no event constitute a waiver of DFO's default with respect to such failure to perform, nor prevent City from exercising any of City's other rights and remedies granted under this Agreement. DFO shall pay to City such amount within thirty (30) days following written demand by the Executive Director.

7.6 Mid-Term Refurbishment. DFO shall plan for and cause the completion of the refurbishment of the Premises in the manner set forth in this Section 7.6 (the "**Mid-Term Refurbishment**") no later than the end of the sixth (6<sup>th</sup>) Year of the Primary Term (the "**Mid-Term Refurbishment Completion Date**"). The Executive Director shall have the discretion to defer the timing of the Mid-Term Refurbishment.

7.6.1 Mid-Term Refurbishment Plan. No later than the end of the fifth (5<sup>th</sup>) Year of the Primary Term, DFO shall prepare and deliver to City for Executive Director's review and approval a Mid-Term Refurbishment plan (the "**Mid-Term Refurbishment Plan**"), which shall meet the then-current requirements imposed by City as part of the Construction Approval Process, and shall otherwise include information similar to that contained in the Initial Improvement Plan for the Initial Premises Improvements. Upon receipt and review of such Mid-Term Refurbishment Plan by Executive Director and as a part of the Construction Approval Process, DFO shall incorporate any comments from Executive Director and shall re-submit such Mid-Term Refurbishment Plan until it has been approved by Executive Director.

7.6.2 Construction and Completion of Mid-Term Refurbishment. DFO shall construct and complete the Mid-Term Refurbishment in accordance with the Mid-Term

Refurbishment Plan approved by Executive Director and the other requirements contained in this Agreement. DFO shall expend for the design and construction of the Mid-Term Refurbishment, as a minimum, the sum of Seventeen Million Dollars (\$17,000,000) (the “**Minimum Mid-Term Refurbishment Amount**”). Amounts expended for deferred maintenance, repairs and replacements that should previously have been performed pursuant to Section 8 below shall not be credited toward the Minimum Mid-Term Replacement Amount, unless otherwise approved by the Executive Director. Within thirty (30) days after the Mid-Term Refurbishment Completion Date, DFO shall pay to City an amount equal to the positive shortfall (if any), as reasonably determined by the Executive Director, between the Minimum Mid-Term Refurbishment Amount and the actual amount expended by DFO in connection with the design and construction of the Mid-Term Refurbishment (excluding any Excluded Expenditures as provided in Section 7.5 above).

7.7 City Approval of Improvements. Prior to the construction of any improvements (including, without limitation, the Initial Premises Improvements, the Mid-Term Refurbishment and any Alterations), DFO shall comply with the “LAWA Tenant Improvement Approval Process” (said LAWA Tenant Improvement Approval Process as may be modified from time to time is referred to herein as the “**Construction Approval Process**”), including without limitation, the submission to City’s Commercial Development Group for approval all required plans and other information. Upon receipt of the Executive Director’s approval and any other applicable approvals, DFO shall cause the construction called for by the approved working drawings and specifications to be commenced and completed promptly. No substantial changes, additions, or alterations shall be made in said working drawings or specifications, or in the construction called for thereby, without first obtaining Executive Director’s approval in writing.

7.7.1 DFO shall keep the Premises and any improvements constructed thereon free and clear of liens for labor and material expended by or for DFO or on its behalf in accordance with Section 7.15 of this Agreement.

7.7.2 DFO agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Administration Regulations in the event any future structure or building is planned for the Premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the Premises.

7.7.3 Prior to the commencement of any work, DFO shall, at its own cost and expense, obtain all other permits and approvals required by applicable Laws including, but not limited to Los Angeles Department of Building and Safety, Los Angeles County Department of Health and OSHA. Executive Director’s approval of the plans, specifications and working drawings for the Initial Premises Improvements, Mid-Term Refurbishment or any other improvements or alterations of the Premises shall create no responsibility or liability on the part of City for their completeness, design sufficiency, or compliance with all Laws and other requirements of governmental agencies or authorities. Neither City nor any City Agents shall be liable for any damage, loss, or prejudice suffered or claimed by DFO, any DFO Party or any other person or entity on account of: (a) the approval or disapproval of any plans, contracts, bonds, contractors, sureties or matters; (b) the construction or performance of any work whether or not pursuant to approved plans; (c) the improvement of any portion of the Premises or alteration or modification to any portion of the Premises; or (d) the enforcement or failure to enforce any of the covenants, conditions and restrictions contained in this Agreement.

7.8 Further Provisions Regarding Design and Construction. DFO shall comply with the following requirements in connection with any design and construction under this Agreement.

7.8.1 Design and Engineering. DFO shall, at its own cost and expense, employ competent architects, engineers and interior designers. DFO warrants that all design and construction work and services shall conform to the highest professional standards pertinent to the respective trade or industry. All improvements shall be designed to industry standards appropriate for a best-in-class international airport facility. Except as otherwise approved by the Executive Director, DFO shall comply with applicable portions of the Design and Construction Handbook located at [www.lawa.org/laxdev/handbook.aspx](http://www.lawa.org/laxdev/handbook.aspx) (such handbook as may be revised from time to time by City) (herein, the “**Design and Construction Handbook**”). For certain portions of the Premises as specified in the Initial Improvement Plan, DFO must adhere to the design criteria developed by the TCM for such Facilities, as approved by the Executive Director.

7.8.2 Licensed Contractors; Warranty. All construction or work shall be performed in a good and workmanlike manner in accordance with good industry practice for the type of work in question by duly licensed contractors under the supervision of a competent architect or licensed structural engineer. DFO warrants that all materials and equipment furnished will be new and of good quality unless otherwise specified, and that all workmanship will be of good quality, free from faults and defects and in conformance with the design documents approved by the TSA and/or the City of Los Angeles Department of Building and Safety, as applicable.

7.9 Alterations. DFO shall not make any improvements or alterations to any Premises (including any Unit therein) (“**Alterations**”) without first complying with City’s Construction Approval Process. Any unauthorized Alterations made by DFO to any Premises (including any Unit therein) shall be removed at DFO’s sole cost and expense and any damage to such Premises (including any Unit therein) shall be promptly repaired, and if not removed and repaired within thirty (30) days of demand from City, and should DFO fail to so remove such Alterations and restore such Premises (including any Unit therein), City may remove such Alterations and restore such Premises (including any Unit therein), at DFO’s sole cost and expense, and such cost, plus the Administrative Fee, shall be payable to City as Additional Rent within thirty (30) days of delivery of an invoice therefor.

7.10 Building Codes. All Alterations, improvements, fixtures and equipment constructed or installed by DFO in or about the Premises, including the plans and specifications therefor, shall in all respects conform to and comply with the applicable Laws (including, without limitation, ordinances, building codes, rules and regulations of the City of Los Angeles and such other authorities as may have jurisdiction over the Premises or DFO’s operations therein), and City Policies (as defined in Section 16.23). If and to the extent that DFO’s activities or proposed Alterations trigger an obligation or requirement on the part of City to make changes to the Airport (including under the ADA), DFO shall indemnify, defend, and hold harmless City and City Agents from and against any Claims arising out of such activities or Alterations. The approval by Executive Director provided above shall not constitute a representation or warranty as to such conformity or compliance, but responsibility therefor shall at all times remain in DFO.

7.11 Workers' Compensation. Prior to commencement of any such construction, DFO shall first submit to City a certificate of insurance evidencing the fact that DFO (and any relevant DFO Party) maintains workers' compensation and employers liability coverage in the amounts and form required by the Workers' Compensation Act and insurance Laws of the State of California. Such certificate shall include a Waiver of Subrogation naming and for the benefit of the City of Los Angeles and City Agents. Such certificate shall contain the applicable policy number and the inclusive date for same, shall bear an original signature of an authorized representative of the insurance carrier and shall also provide thereon that the insurance shall not be subject to cancellation except after notice by registered mail to the City Attorney of the City of Los Angeles at least thirty (30) days prior to the date of cancellation.

7.12 Improvement Payment and Performance Bond. In connection with the Initial Premises Improvements, the Mid-Term Refurbishment and any other Alterations, DFO shall furnish, at its sole cost and expense, payment and performance bonds in the principal sum of the amount of the work of improvement proposed by DFO, or alternative security deposit for said amount acceptable to Executive Director. DFO shall comply with the provisions of California Civil Code Sections 3235 to 3242 or Sections 3247 to 3252, as applicable to any such bond, by filing the original contract and any modifications thereto in the office of the Los Angeles County Recorder, together with the bond specified therein, and a conformed copy of such bond, filed for record as aforesaid, shall be furnished by DFO to City. Such payment and performance bonds shall be furnished no later than thirty (30) days prior to the commencement of such work. The payment and performance bonds shall be in substantially the same form as that of Exhibit "G" attached hereto (or such other form as may be reasonably prescribed from time to time by the City Attorney), be issued by a surety company satisfactory to Executive Director, and authorized and licensed to transact business in the State of California and be for the full amount stated above with the City of Los Angeles, Department of Airports, as obligee, and shall guarantee the full, faithful and satisfactory payment and performance by DFO of its obligations to construct and install the aforementioned improvements, and shall guarantee the payment for all materials, provisions, supplies, and equipment used in, on, for, or about the performance of DFO's works of improvement or labor done thereon of any kind, and shall protect City from any liability, losses, or damages arising therefrom.

7.13 Telecommunications Facilities.

7.13.1 DFO and its Telecommunications Service Providers (as defined herein) shall not install Telecommunication Facilities (as defined herein) in Common Areas, shared space, or other respective areas of the Airport, or in currently designated or future primary or secondary minimum-points-of-entry, without prior written approval of Executive Director and any approval required as part of City's Construction Approval Process. All such Telecommunications Facilities and services shall comply with FCC licensing regulations, with City of Los Angeles building codes, and with all other applicable Laws. All work performed in connection with the installation of any Telecommunication Facilities shall comply with the provisions of this Agreement applicable to construction projects. City may require its contractors or personnel to observe such installation or servicing to assure compliance with this Agreement. In such event, DFO shall pay to City as Additional Rent hereunder, the cost or imputed cost of such observation and compliance monitoring. For purposes of this Agreement, "**Telecommunication Facilities**" shall mean and include the installation, operation, and provisioning of telecommunications circuits, conduit, cabling, antennas, equipment,

infrastructure and service connections thereto; and “**Telecommunication Service Providers**” shall mean and include cable and equipment installation contractors, system operators, and any entity which provides telecommunication services, such as Sprint, Verizon, AT&T, government entities, or other tenants. Prior to any installation or servicing of any Telecommunication Facilities, DFO shall submit to City (with copies to LAWA Project Management Division and Manager of LAWA Information Technology Division at 1 World Way, Room B14, Los Angeles, CA 90045) for approval documentation of each Telecommunication Facility and the infrastructure proposed to be used (collectively, “**Telecom Documentation**”), which Telecom Documentation shall include, but not be limited to, plans and drawings with specific routing detail, conduit types and sizes, access junction boxes, cable descriptions (type, quantity, size) per route segment, telecommunication rooms and closets used, termination block labeling, and cable pair assignments for each cable segment, and a schedule with the times and locations that require access in connection with such installation or servicing.

7.13.2 DFO shall not allow the use of, and shall not sell, lease, sublet, or trade, Telecommunication Facilities or services to other users or operators at the Airport without prior written approval of Executive Director. DFO shall not use, and shall not purchase, lease, sublet or trade for, Telecommunication Facilities or services from other users or operators at the Airport without prior written approval of Executive Director.

7.13.3 DFO agrees that the Telecommunications Facilities, and the installation, maintenance and operation thereof shall in no way interfere with Airport operations, or the operation of Telecommunications Facilities of City or any other tenants or occupants of the Airport. If such interference shall occur, City shall give DFO written notice thereof and DFO shall correct the same within twenty-four (24) hours of receipt of such notice. City reserves the right to disconnect DFO’s Telecommunications Facilities if DFO fails to correct such interference within twenty-four (24) hours after such notice.

7.13.4 DFO shall protect, defend, indemnify and hold harmless City and City Agents from and against Claims incurred by or asserted against City or any City Agent arising out of DFO’s installation, maintenance, replacement, use or removal of DFO’s Telecommunications Facilities.

7.13.5 DFO shall remove any Telecommunications Facilities installed by DFO at DFO’s sole cost and expense upon the expiration or early termination of this Agreement; and if DFO should fail to so remove such Telecommunications Facilities, City may remove such Telecommunications Facilities, at DFO’s sole cost and expense, and such cost, plus the Administrative Fee, shall be payable to City as Additional Rent within thirty (30) days of an invoice therefor.

7.14 Deliveries upon Completion. Within ninety (90) days of completion of the Initial Premises Improvements, any Mid-Term Refurbishment and any other Alterations, DFO shall furnish to City, at no charge: (a) a certificate from the architect(s) certifying that such improvements have been constructed in accordance with the approved plans and specifications and in strict compliance with all Laws; (b) five (5) complete sets of “record” drawings, and one complete set in Computer Aided Design (CAD) format which complies with the then current LAWA CAD standards (these drawings must include any applicable permit numbers, the structural and other improvements installed by DFO in the Premises, and the location and details

of installation of all equipment, utility lines, heating, ventilating, and air-conditioning ducts and related matters); (c) duplicated receipted invoices on all materials and labor costs incurred; and (d) executed unconditional mechanics' lien releases from those parties performing labor, materials or supplies in connection with all such improvements, which releases shall comply with the appropriate provisions, as reasonably determined by City, of the California Civil Code. DFO shall keep such as-built drawings current by updating the same in order to reflect thereon any changes or modifications which may be made to such improvements. Within ten (10) days after completion of any such improvements, DFO shall cause a Notice of Completion to be recorded in the office of the Los Angeles County Recorder in accordance with Section 3093 of the Civil Code of the State of California or any successor statute, and shall furnish a copy thereof to City upon such recordation. If DFO fails to do so, City may execute and file the same on behalf of DFO as DFO's agent for such purpose, at DFO's sole cost and expense; and such cost, plus the Administrative Fee, shall be payable to City as Additional Rent within thirty (30) days of an invoice therefor.

7.15 No Liens. DFO shall pay when due all claims for labor or materials furnished or alleged to have been furnished to or for DFO at, on, about, or for use in the Premises, the Facility(ies) or any portion thereof. DFO shall keep the Premises, the Facility(ies) and the Airport, and any interest therein, free and clear of all mechanics' liens and all other liens from any work undertaken by or on behalf of DFO or any DFO Party. DFO shall give City immediate written notice of any lien filed against the Premises, the Airport or any interest therein related to or arising from work performed by or for DFO or any DFO Party. Additionally, DFO shall keep any City-owned improvements whether on the Premises or out-side of the Premises free and clear of any liens or other encumbrances. By way of specification without limitation, DFO shall keep the Premises free from any liens arising out of any work performed, materials furnished, or obligations incurred by or for DFO or any DFO Party, and DFO shall indemnify, defend, protect, and hold the Premises, the Airport, City and City Agents harmless against any liens and encumbrances and all Claims arising from any work performed by or on behalf of DFO or any DFO Party and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against DFO, City, the Airport, or the Premises. In the event that DFO does not, within thirty (30) calendar days following the imposition of any such lien, cause such lien to be released of record by payment or posting of a bond in form and amount satisfactory to Executive Director in its good faith business judgment, City shall have in addition to all other remedies provided herein and by law, the right, but not the obligation to cause, upon twenty (20) business days prior written notice to DFO, the same to be released by such means as it shall deem proper, including payment in satisfaction of any Claim giving rise to such lien. All such sums paid by City and all expenses incurred by it in connection therewith (including, without limitation, attorneys' fees (including, without limitation, the imputed fees of City Attorneys)), plus the Administrative Fee, shall be payable to City by DFO as Additional Rent within thirty (30) days after written demand therefor. DFO shall give City not less than ten (10) days' prior written notice of the commencement of the Initial Premises Improvements or any other initial or subsequent improvements in or about the Premises, and City shall have the right to post notices of non-responsibility in or about the Premises as provided by law. In addition, City shall have the right to require that DFO pay City's attorneys' fees and disbursements (including, without limitation, the imputed fees of City Attorneys), court costs and other costs in defending any such action if City is named as a party to any such action, the lien encumbers any portion or interest in the Airport or if City elects to defend any such action or lien. Nothing in this Section shall be construed to place any obligations upon DFO with respect to liens, loans, or

mortgages placed upon the Premises by City, its Department of Airports, its Board, City officers, agents, or employees.

7.16 Ownership of Improvements. During the Primary Term, DFO shall have rights to the ownership of the Initial Premises Improvements installed on the Premises pursuant to this Agreement; provided, however, if DFO's rights with respect to the Premises (or any portion thereof) are terminated for any reason, City shall have all rights to the ownership of the Initial Premises Improvements and any other improvements within the Premises (or such terminated portion of the Premises), and title to all such improvements shall automatically vest in City as of the date of such termination. DFO further acknowledges that, in connection with any such termination, City shall have all rights to the ownership of any sub-concessionaire's improvements and any other improvements within a Unit with respect to any sub-concession agreement that is also being terminated.

## VIII MAINTENANCE AND REPAIR.

8.1 Maintenance and Repair. DFO acknowledges and agrees that, except to the extent expressly set forth to the contrary in this Section 8, City shall have no duty to maintain, repair or replace the Premises (or any part thereof including any Unit there), or the improvements located therein and thereon (whether or not such portion of the Premises requiring repairs or replacements, or the means of repairing or replacing the same, are reasonably or readily accessible to DFO, and whether or not the need for such repairs or replacements occurs as a result of DFO's use, any prior use, or the age of such portion of the Premises). DFO shall, at all times and at its expense, keep and maintain the Premises, including, without limitation, the exterior façade of each Unit within the Premises separating such Unit from the Common Areas of the Facility (including the external face thereof, all windows, doors and display areas, and all finishes thereon), all mechanical room equipment such as, but not limited to, heat exchangers, fans, controls and electric panels, and all of the structural and other improvements installed within the Premises (and at each Unit therein) together with all fixtures, equipment and personal property therein, in good repair and in a clean and orderly condition and appearance and shall keep the areas immediately adjacent to the Premises (including the exits and entrances of each Unit within the Premises) clean and orderly and free of obstructions. DFO shall keep a record of all maintenance and repair actions involving a cost of Ten Thousand Dollars (\$10,000) or more that are undertaken with respect to the Premises (including each Unit therein) during the term of this Agreement, including the nature of such matter requiring maintenance and repair, the date such matter was first observed, the maintenance and repair action undertaken in response, the date such maintenance and repair action was undertaken, the cost of such maintenance and repair action, any receipts and invoices or contracts for costs and expenses incurred in connection with such maintenance and repair action, evidence of payments made in connection therewith, and any warranties or guarantees obtained in connection with the performance of such maintenance and repair action, and pictures of the matter requiring maintenance and repair and the completed maintenance or repair, and any other information relating thereto that Executive Director may request from time to time (collectively, "**DFO's Maintenance Records**"). Upon any request of Executive Director and annually, in connection with the annual update of the Business and Operations Plan, DFO shall deliver to City an annual maintenance report with a copy of DFO's Maintenance Records for the Year just ended.

8.2 Cleaning and Routine Upkeep. DFO, at its sole cost and expense, shall be responsible for the cleaning, maintenance, and routine upkeep of the Units and other portions of the Premises and to keep the Units and other portions of the Premises in like-new condition at all times.

8.3 Maintenance of Plumbing. DFO shall be responsible for the maintenance, repair and replacement of all plumbing, piping and drains within the Premises (including each Unit therein). DFO is responsible for all material that is deposited in the plumbing system from each Unit and for cleaning the grease traps within any Unit. DFO is responsible for the maintenance, repair and replacement of all sewer lines from the Premises (including each Unit therein) to the point of connect. DFO is responsible for the repair and maintenance of all domestic water lines, hot and cold, from the point of connection of the Department of Airports water meter throughout the Premises (including each Unit therein). If DFO fails to maintain the plumbing, piping and drain system or places liquid, grease, debris, and other materials that contribute to stoppage or damage to the Airport's plumbing, DFO will be billed for the cost thereof, plus the Administrative Fee, to be paid by DFO to City within thirty (30) days of written demand.

8.4 City May Repair. In the event DFO fails to accomplish any such repairs, replacements, rebuilding, redecorating or painting required hereunder (including any preventative maintenance or emergency repairs) within a period of ten (10) days after written notice from Executive Director to do so, or fails to diligently repair, replace, rebuild, redecorate or paint all portions of the Premises (including each Unit therein) required to be repaired, replaced, rebuilt, redecorated or painted by DFO pursuant to its approved maintenance schedule, City shall have the right (but not the obligation), at its option, and in addition to all other remedies which may be available to it, to repair, replace, rebuild, redecorate or paint any such portion of the Premises (including any Unit therein) included in said notice, and the cost thereof, plus the Administrative Fee, shall be paid by DFO to City as Additional Rent within thirty (30) days of written demand. Notwithstanding anything to the contrary contained in this Agreement, the performance of such maintenance, repair or replacement by City on DFO's behalf shall in no event be construed as a waiver of DFO's maintenance, repair and replacement obligations under this Agreement.

8.5 Right to Enter Premises. City shall have the right to enter upon the Premises (including any Unit therein) at all reasonable times to make such repairs, alterations and replacements as may, in the opinion of Executive Director, be deemed necessary or advisable and, from time to time, to construct or install over, in, under or through the Premises (including any Unit therein) new lines, pipes, mains, wires, conduits and equipment (regardless of whether such construction by City relates to operations within the Premises or outside of the Premises); provided, however, that City shall use commercially reasonable efforts to minimize the unreasonable interference caused by such repair, alteration, replacement or construction with the use of the Premises by DFO; and provided, further, that nothing herein shall be construed as relieving DFO of any obligation imposed upon it herein to maintain the Premises (including the Units therein) and the improvements and utility facilities therein. City shall have the right to enter the Premises (including any Unit therein) at any time to maintain or repair emergency systems when loss of life or damage to property may potentially result.

8.6 Provision of Utilities. Throughout the term of this Agreement, to the extent not provided by City at City's election, DFO shall, at its sole cost and expense, take whatever action

is required to obtain all utility service necessary for the operation of the Premises (including all Units therein), and DFO shall make the necessary arrangements with all utility providers to bring all required water, sanitary sewer, telephone, electricity, gas and any and all other utilities lines to and within the Premises (and the Units therein) in accordance with plans and specifications approved by City. City shall have the right, but not the obligation or responsibility, for the use of DFO or for the use of others at Airport, to maintain existing and future utility systems or portions thereof on the Premises (including any Unit therein), including, without limitation, systems for the supply of heat and electricity and for the furnishing of fire alarm, fire protection, sprinkler, air conditioning, telephone, telegraph, teleregister and intercommunication services, including lines, pipes, mains, wires, conduits and equipment connected with or appurtenant to all such systems. DFO shall reimburse City for its pro-rata share of costs of such maintenance, including overhead and administration in accordance with Section 4.3 above. Within each Facility, DFO's pro-rata share shall be based on the ratio of the square footage of the Premises in the Facility to the square footage of all premises in the Facility using said utilities, or on some other reasonable and appropriate methodology or basis as determined by the Executive Director. Notwithstanding any other provision of this Agreement, City shall not be liable or responsible for any unavailability, failure, stoppage, interruption or shortage of any utilities or other services, however or by whom caused.

8.7 Pest Control. DFO shall be solely responsible for a pest-free environment within the Premises (including the Units therein) by maintaining its own pest control services, in accordance with the most modern and effective control procedures. All materials used in pest control shall conform to applicable Laws. All controlled substances utilized shall be used with all precautions to obviate the possibility of accidents to humans, domestic animals and pets. Whenever City deems that pest control services must be provided to a building or area that includes DFO's Premises under this Agreement, DFO shall pay for the costs of services provided for the Premises under this Agreement.

8.8 Evidence of Payment. In any suit, action or proceeding of any kind between the parties hereto, any receipt showing the payment of any sum(s) by City for any work done or material furnished shall be prima facie evidence against DFO that the amount of such payment was necessary and reasonable. Should Executive Director elect to use City operating and maintenance staff in making any repairs, replacements or alterations and to charge DFO with the cost of same, any timesheet of any employee of City showing hours of labor or work allocated to any such repair, replacement or alteration, or any stock requisition of City showing the issuance of materials for use in the performance thereof, shall be prima facie evidence against DFO that the amount of such charge was necessary and reasonable.

8.9 Prevailing Wage. Maintenance work performed on City's property will require payment of prevailing wages, if applicable. DFO is obligated to make the determination of whether the payment of prevailing wages is applicable, and DFO shall be bound by and comply with applicable provisions of the California Labor Code and Federal, State, and local laws related to labor. DFO shall indemnify, defend and pay or reimburse City for any damages, penalties or fines (including, but not limited to, attorney's fees and costs of litigation) that City incurs, or pays, as a result of noncompliance with applicable prevailing wage laws in connection with the maintenance work performed by DFO in connection with this Agreement.

## IX TERMINATION FOR CONVENIENCE; TERMINATION PAYMENTS; QUALIFIED INVESTMENTS.

9.1 Termination for Convenience. In the event that the Executive Director, in his or her sole discretion, at any time determines that efficient or convenient Airport operations require the use of any portion of the Premises, City shall have the absolute right to terminate this Agreement with respect to such portion of the Premises (a “**Termination for Convenience**”), upon not less than one hundred eighty (180) days’ prior written notice to DFO (a “**Convenience Termination Notice**”). The Convenience Termination Notice shall set forth a description of the portion of the Premises that is the subject of the Termination for Convenience (the “**Terminated Premises**”) and shall set forth the effective date of such termination (“**Convenience Termination Date**”). On or before the Convenience Termination Date, DFO shall, with respect to the Terminated Premises, perform its removal and surrender obligations set forth in this Agreement (including, without limitation, DFO’s obligations set forth in Section 2.4 above). In the event of a Termination for Convenience under this Section 9.1, City shall pay to DFO an amount equal to the Convenience Termination Payment (as defined in Section 9.2.1 below) within thirty (30) days following the Convenience Termination Compliance Date (as defined in Section 9.2.2 below). DFO specifically acknowledges that this Termination for Convenience provision is a material inducement to City to allow DFO to enter into this Agreement. In the event of a Termination for Convenience, the MAG will be equitably adjusted in such manner as determined by the Executive Director (in his or her reasonable discretion) to reflect the removal of the Terminated Premises from the Premises under this Agreement.

9.2 Termination Payment. In the event of a Termination for Convenience under Section 9.1 above, DFO shall receive from City a payment in respect of such termination as set forth in Section 9.2.1 below. DFO’s right to any such termination payment shall be conditioned upon DFO’s execution and delivery to City of a general release of claims by such party, which release shall be in a form satisfactory to City (the “**Termination Release**”).

9.2.1 Termination Payment – Termination for Convenience under Section 9.1. The term “**Convenience Termination Payment**” shall mean an amount equal to that portion of DFO’s Qualified Investments with respect to the Initial Premises Improvements, Mid-Term Refurbishment and Other Alterations (as defined below) within the Terminated Premises that have not been amortized as of the Convenience Termination Date, with the amortization of each such Qualified Investment being calculated on a fully amortized basis over an amortization period beginning on the respective dates that such Initial Premises Improvements, Mid-Term Refurbishment or Other Alterations were placed in service and ending on the Expiration Date, using an interest rate of nine percent (9%) per annum. No extension of the term of this Agreement shall operate to extend any such amortization period.

9.2.2 Convenience Termination Compliance Date. The term “**Convenience Termination Compliance Date**” shall mean the date that all of the following have occurred: (i) DFO has vacated and surrendered the Terminated Premises in accordance with the surrender and removal obligations under this Agreement; (ii) City has received the Termination Release signed by DFO; (iii) the Convenience Termination Date has occurred; and (iv) DFO has performed all of DFO’s obligations under this Agreement to be performed on or before the Convenience Termination Date.

9.3 Qualified Investments Defined. Subject to the limitation and conditions set forth in Section 9.4 below, the term “**Qualified Investments**” shall mean the following amounts described below in this Section 9.3 (each, individually, a “**Qualified Investment**”):

(a) Initial Premises Improvements. An amount equal to the actual costs incurred by DFO for the design and construction of the Initial Premises Improvements, as verified by the Executive Director, provided, however, that in no event shall such amount exceed the Initial Minimum Investment Amount for such Initial Premises Improvements prorated for such portion of the Premises so terminated, unless specifically approved in writing by the Executive Director.

(b) Mid-Term Refurbishment. An amount equal to the actual costs incurred by DFO for the design and construction of DFO’s Mid-Term Refurbishment, as verified by the Executive Director, provided, however, that in no event shall such amount exceed the Minimum Mid-Term Refurbishment Amount prorated for such portion of the Premises so terminated, unless specifically approved in writing by the Executive Director.

(c) Other Alterations. Any other Alterations by DFO that the Executive Director (in the Executive Director’s sole discretion) approves in writing as eligible to be a Qualified Investment in such amount as is approved by the Executive Director (“**Other Alterations**”).

9.4 Additional Conditions Applicable to Qualified Investments. With respect to any expenditure described in Section 9.3 above, such expenditure must satisfy the following additional requirements and conditions in order to be classified as a Qualified Investment:

(a) Submittal to the Executive Director. Any expenditure for any construction project during the term of this Agreement which DFO desires to be classified as a Qualified Investment must be submitted to the Executive Director for verification within one hundred twenty (120) days following the earliest to occur of the following (to the extent applicable): (i) the issuance of a certificate of substantial completion by the project architect or general contractor, (ii) the issuance of a certificate of occupancy or the commencement of business operations on the Premises to which the work of improvement relates, or (iii) the project has been closed-out pursuant to the Construction Approval Process.

(b) Required Information; Approval. For purposes of the Executive Director’s verification of such expenditures, DFO must provide to City within said 120-day period a schedule of all Qualified Investments which schedule shall show line item detail information as to each cost, including, but not limited to, description, payee and date of payment. DFO must also provide within said 120-day period amortization schedules showing the investment amounts being amortized over the applicable amortization periods described in Section 9.2 (and its subsections). DFO shall also be responsible for providing within said 120-day period reasonable documentation to City indicating that the amounts were expended (including, but not limited to, copies of returned checks and lien waivers, if requested), that they are true and correct, and why they are eligible to be included in the Qualified Investment amount. The Executive Director, in its sole discretion which shall not be unreasonable, will decide if such amount may then be included as part of the Qualified Investment amount. With respect to the depreciation or amortization of Qualified Investments, such Qualified Investments shall be fully amortized over the applicable amortization period, with no residual value. All amortization calculations shall be

subject to the review and approval of the Executive Director. City shall have the right to audit the Books and Records of DFO in accordance with the provisions of Section 4.8 above.

(c) Affiliated Transactions. Any amounts paid to any Affiliate of DFO that DFO claims to have incurred in connection with the design or construction of any improvements may be included as a part of the Qualified Investment only (i) to the extent that the amounts paid are fair and are otherwise no less favorable to DFO than would be obtained in a comparable arm's-length transaction with an unrelated third party or (ii) to the extent specifically approved in writing by the Executive Director, upon the separate written request of DFO made prior to incurring such costs. The term "Affiliate" of DFO shall mean (i) any person or entity that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with DFO or (ii) any entity in which DFO or any owner of DFO has an ownership interest (provided, however, if DFO is a corporation whose voting securities are registered with the Securities and Exchange Commission and publicly traded on a regular basis, then only such shareholder of DFO having an ownership interest greater than five percent (5%) shall be deemed an "Affiliate"). The term "control" (including the terms controlling, controlled by and under common control with) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person or entity, whether through ownership of voting securities, by contract or otherwise.

(d) Other Limitations on Qualified Investments. Amounts eligible as Qualified Investments shall not include any interest or financing costs, and architectural and design costs shall not exceed fifteen percent (15%) of the cost of the related improvements. Costs incurred for personal property not permanently installed on the Premises shall not be eligible as Qualified Investments.

9.5 No Other Compensation. DFO acknowledges and agrees that, except for the Convenience Termination Payment in connection with a Termination for Convenience, DFO has absolutely no right to any payment, claim, damage, offset or other compensation in connection with the termination of this Agreement as to all or any part of the Premises. Without limiting the generality of the foregoing, no payment or other compensation shall be payable to DFO in connection with the termination of this Agreement as a result of DFO's Default.

## **X AIRPORT CONSTRUCTION; AIRPORT OPERATIONS.**

10.1 Airport Construction; Airport Operations. City reserves the right to further develop or improve the landing area of Airport or any other portion of the Airport, as it sees fit, regardless of the desires or view of DFO, and without interference or hindrance by DFO. DFO recognizes and agrees that City, from time to time during the term of this Agreement, may construct, cause to be constructed, or permit construction, of City-approved improvements of various sizes and complexity. DFO further recognizes that such construction and other security related restrictions may restrict access to and may interfere with the quiet enjoyment of the Premises and the amount of revenue generated from the Premises. DFO agrees that City shall not be liable for losses or damages arising from disruptions caused by City-approved construction or other restrictions affecting access to the Premises, and hereby waives any Claims against City and City Agents arising therefrom. City shall endeavor to use commercially reasonable efforts to keep DFO informed of construction plans that may materially and adversely impact the operations at the Premises. There is also hereby reserved to City, its successors and

assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Premises. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from, or operating at the Airport. DFO agrees not to make any claim or institute legal action against City under any theory of recovery for any interference with DFO's use and enjoyment of the Premises which may result from noise emanating from the operation of aircraft to, from, or upon the Airport, and DFO hereby waives any Claims against City and City Agents arising therefrom.

10.2 No Right to Temporary Premises. Temporary disruptions to DFO's operations, including restricted access to Facility during any construction or security alert, shall not entitle DFO to a temporary location elsewhere or to any Rent abatement or credit, or any other compensation.

## XI TERMINATION/CANCELLATION.

11.1 Defaults. The occurrence of any one of the following events shall constitute a default on the part of DFO ("**Default**"):

11.1.1 Abandonment; Vacation. The vacation or abandonment of any portion of the Premises (including any Unit therein) by DFO for a period of five (5) consecutive days or any vacation or abandonment of any portion of the Premises (including any Unit therein) by DFO which would cause any insurance policy to be invalidated or otherwise lapse in each of the foregoing cases irrespective of whether or not DFO is then in monetary default under this Agreement. DFO agrees to notice and service of notice as provided for in this Agreement and waives any right to any other or further notice or service of notice which DFO may have under any statute or law now or hereafter in effect;

11.1.2 Failure to Pay Rent. Failure to pay any installment of Rent or any other monies due and payable hereunder, said failure continuing for a period of ten (10) business days after the same is due;

11.1.3 Assignment for Creditors. A general assignment by DFO or any guarantor or surety of DFO's obligations hereunder (collectively, "**Guarantor**") for the benefit of creditors;

11.1.4 Filing of Bankruptcy Petition. The filing of a voluntary petition in bankruptcy by DFO or any Guarantor, the filing by DFO or any Guarantor of a voluntary petition for an arrangement, the filing by or against DFO or any Guarantor of a petition, voluntary or involuntary, for reorganization, or the filing of an involuntary petition by the creditors of DFO or any Guarantor, said involuntary petition remaining undischarged for a period of ninety (90) days;

11.1.5 Attachment. Receivership, attachment, or other judicial seizure of substantially all of DFO's assets at the Premises, such attachment or other seizure remaining undischarged or undischarged for a period of ninety (90) days after the levy thereof;

11.1.6 Death; Dissolution. Death or disability of DFO or any Guarantor, if DFO or such Guarantor is a natural person, or the failure by DFO or any Guarantor to maintain its

legal existence, if DFO or such Guarantor is a corporation, partnership, limited liability company, trust or other legal entity;

11.1.7 Failure to Deliver Ancillary Documents. Failure of DFO to execute and deliver to City any estoppel certificate, subordination agreement, report (including, without limitation, reports required under Section 4.7), financial statement or other document required under this Agreement within the time periods and in the manner provided hereunder (or if no time period is provided, within five (5) business days after receipt of written notice from City of delinquency);

11.1.8 Incomplete Records. DFO fails to maintain adequate books and records and accounts reflecting its business as required hereunder (including without limitation, books and records and information regarding Gross Revenues, and the costs of construction for the Initial Premises Improvements or the Mid-Term Refurbishment);

11.1.9 Transfers. An assignment or sublease, or attempted assignment or sublease, of this Agreement or any portion of the Premises (including any Unit therein) by DFO contrary to the provision of Section 14 without the prior written consent of City as required hereunder;

11.1.10 Faithful Performance Guarantee. Failure of DFO to provide and maintain the Faithful Performance Guarantee as required under this Agreement for a period of five (5) days after written notice;

11.1.11 Other Defaults. A default under any other agreement with City beyond any applicable notice and cure period under such agreement;

11.1.12 General Non-Monetary Breaches. Failure in the performance of any of DFO's covenants, agreements or obligations hereunder (except those failures specified as events of Default in Sections 11.1.1, 11.1.2, 11.1.4, 11.1.5, 11.1.7, 11.1.10, 11.1.13, 11.1.15, 11.1.16 herein or any other subsections of this Section 11, which shall be governed by the notice and cure periods set forth in such other subsections), which failure continues for thirty (30) days after written notice thereof from City to DFO, provided that, if DFO has commenced such cure within thirty (30) days after written notice, and has exercised reasonable diligence to cure such failure and such failure cannot be cured within such thirty (30) day period despite reasonable diligence, DFO shall not be in default under this Section 11.1.12 so long as DFO thereafter diligently and continuously prosecutes the cure without interruption to completion and actually completes such cure within ninety (90) days after the giving of the aforesaid written notice;

11.1.13 Chronic Delinquency. Chronic delinquency by DFO in the payment of Rent, or any other periodic payments required to be paid by DFO under this Agreement. "**Chronic delinquency**" means failure by DFO to pay Rent, or any other payments required to be paid by DFO under this Agreement within seven (7) days after the date due for any three (3) months (consecutive or nonconsecutive) during any period of twelve (12) months;

11.1.14 Termination of Insurance. Any insurance required to be maintained by DFO pursuant to this Agreement shall be canceled or terminated or shall expire or be reduced or materially changed, except as permitted in this Agreement;

11.1.15 Liens. Any failure by DFO to discharge any lien or encumbrance placed on the Premises, the Airport or any part thereof in violation of this Agreement within thirty (30) days after the date such lien or encumbrance is filed or recorded against the Premises, the Airport or any part thereof;

11.1.16 Revocation of Licenses. An act occurs which results in the suspension or revocation of the rights, powers, licenses, permits and authorities necessary for the conduct and operation of the business authorized herein for a period of more than thirty (30) days;

11.1.17 Adverse Operation. Service ceases or deteriorates for any period which, in the opinion of the Executive Director, materially and adversely affects the operation of service required to be performed by DFO under this Agreement;

11.1.18 Hazardous Materials. Any failure by DFO to immediately remove, abate or remedy any Hazardous Materials located in, on or about the Premises or the Airport in connection with any failure by DFO to comply with DFO's obligations under Section 15; and

11.1.19 False Representations. Any representation of DFO herein, in the DFO Proposal provided by DFO in connection with the RPF (the "**DFO Proposal**") or in any financial statement or other materials provided by DFO or any guarantor of DFO's obligations under this Agreement shall prove to be untrue or inaccurate in any material respect, or any such financial statements or other materials shall have omitted any material fact.

DFO agrees that any notice given by City pursuant to this Section 11 shall satisfy the requirements for notice under California Code of Civil Procedure Section 1161, and City shall not be required to give any additional notice in order to be entitled to commence an unlawful detainer proceeding.

## 11.2 City's Remedies.

11.2.1 Termination. In the event of any Default by DFO, then in addition to any other remedies available to City at law or in equity and under this Agreement, City may terminate this Agreement immediately and all rights of DFO hereunder by giving written notice to DFO of such intention to terminate. If City shall elect to so terminate this Agreement, then City may recover from DFO:

1. the worth at the time of award of any unpaid Rent and any other sums due and payable which have been earned at the time of such termination; plus
2. the worth at the time of award of the amount by which the unpaid Rent and any other sums due and payable which would have been earned after termination until the time of award exceeds the amount of such rental loss DFO proves could have been reasonably avoided; plus
3. the worth at the time of award of the amount by which the unpaid Rent and any other sums due and payable for the balance of the term of this Agreement after the time of award exceeds the amount of such rental loss that DFO proves could be reasonably avoided; plus

4. any other amount necessary to compensate City for all the detriment proximately caused by DFO's failure to perform its obligations under this Agreement or which in the ordinary course would be likely to result therefrom, including, without limitation, (A) any costs or expenses incurred by City (i) in retaking possession of the Premises; (ii) in maintaining, repairing, preserving, restoring, replacing, cleaning, altering, remodeling or rehabilitating the Premises or any affected portions of the Facilities or the Airport, including, without limitation, such actions undertaken in connection with the reletting or attempted reletting of the Premises to a new concessionaire or tenant; (iii) for brokerage commissions, advertising costs and other expenses of reletting the Premises; or (iv) in carrying the Premises, including, without limitation, taxes, insurance premiums, utilities and security precautions; (B) any unearned brokerage commissions paid in connection with this Agreement; (C) reimbursement of any previously waived or abated Base Rent or Additional Rent or any free rent or reduced rental rate granted hereunder; and (D) any concession made or paid by City for the benefit of DFO including, without limitation, any moving allowances or contributions; plus

5. such reasonable attorneys' fees incurred by City as a result of a Default, and costs in the event suit is filed by City to enforce such remedy; and plus

6. at City's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable Laws.

As used in subsections (1) and (2) above, the "**worth at the time of award**" is computed by allowing interest at an annual rate equal to twelve percent (12%) per annum or the maximum rate permitted by law, whichever is less. As used in subsection (3) above, the "**worth at the time of award**" is computed by discounting such amount at the discount rate of Federal Reserve Bank of San Francisco at the time of award, plus one percent (1%).

DFO hereby waives for DFO and for all those claiming under DFO all right now or hereafter existing to redeem by order or judgment of any court or by any legal process or writ, DFO's right of occupancy of the Premises after any termination of this Agreement, specifically, DFO waives redemption or relief from forfeiture under California Code of Civil Procedure Sections 1174 and 1179, or under any other pertinent present or future Laws, in the event DFO is evicted or City takes possession of the Premises by reason of any Default of DFO hereunder.

11.2.2 Continuation of Agreement. In the event of any Default by DFO, then in addition to any other remedies available to City at law or in equity and under this Agreement, City shall have the remedy described in California Civil Code Section 1951.4, and the following provision from such Civil Code Section is hereby repeated: "The Lessor has the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if Lessee has right to sublet or assign, subject only to reasonable limitations)." In addition, City shall not be liable in any way whatsoever for its failure or refusal to relet the Premises. For purposes of this Section 11.2.2, the following acts by City will not constitute the termination of DFO's right to possession of the Premises:

1. Acts of maintenance or preservation or efforts to relet the Premises, including, without limitation, alterations, remodeling, redecorating, repairs, replacements or

painting as City shall consider advisable for the purpose of reletting the Premises or any part thereof, or

2. The appointment of a receiver upon the initiative of City to protect City's interest under this Agreement or in the Premises.

Even if DFO has abandoned the Premises, this Agreement shall continue in effect for so long as City does not terminate DFO's right to possession, and City may enforce all its rights and remedies under this Agreement, including, without limitation, the right to recover rent as it becomes due. Any such payments due City shall be made upon demand therefor from time to time and DFO agrees that City may file suit to recover any sums falling due from time to time. Notwithstanding the exercise by City of its right under this Section to continue the Agreement without termination, City may do so without prejudice to its right at any time thereafter to terminate this Agreement in accordance with the other provisions contained in this Section.

11.2.3 Re-entry. In the event of any Default by DFO, City shall also have the right, with or without terminating this Agreement, in compliance with applicable law, to re-enter the Premises, by force if necessary, and remove all persons and property from the Premises; such property may be removed and stored in a public warehouse or elsewhere at the cost of and for the account of DFO.

11.2.4 Reletting. In the event of the abandonment of the Premises by DFO or in the event that City shall elect to re-enter as provided in Section 11.2.2 or shall take possession of the Premises pursuant to legal proceeding or pursuant to any notice provided by law, then if City does not elect to terminate this Agreement as provided in Section 11.2.1, City may from time to time, without terminating this Agreement, relet the Premises or any part thereof for such term or terms and at such rental or rentals and upon such other terms and conditions as City in its sole discretion may deem advisable with the right to make alterations and repairs to the Premises in City's sole discretion. In the event that City shall elect to so relet, then rentals received by City from such reletting shall be applied in the following order: (a) to reasonable attorneys' fees incurred by City as a result of a Default and costs in the event suit is filed by City to enforce such remedies; (b) to the payment of any indebtedness other than Rent due hereunder from DFO to City; (c) to the payment of any costs of such reletting; (d) to the payment of the costs of any alterations and repairs to the Premises; (e) to the payment of Rent due and unpaid hereunder; and (f) the residue, if any, shall be held by City and applied in payment of future Rent and other sums payable by DFO hereunder as the same may become due and payable hereunder. Should that portion of such rentals received from such reletting during any month, which is applied to the payment of Rent hereunder, be less than the Rent payable during the month by DFO hereunder, then DFO shall pay such deficiency to City. Such deficiency shall be calculated and paid monthly. DFO shall also pay to City, as soon as ascertained, any costs and expenses incurred by City in such reletting or in making such alterations and repairs not covered by the rentals received from such reletting.

11.2.5 Termination. No re-entry or taking of possession of the Premises by City pursuant to this Section 11.2 shall be construed as an election to terminate this Agreement unless a written notice of such intention is given to DFO or unless the termination thereof is decreed by a court of competent jurisdiction. Notwithstanding any reletting without termination by City

because of any Default by DFO, City may at any time after such reletting elect to terminate this Agreement for any such Default.

11.2.6 Cumulative Remedies. The remedies herein provided are not exclusive and City shall have any and all other remedies provided herein or by law or in equity including, without limitation, any and all rights and remedies of City under California Civil Code Section 1951.8, California Code of Civil Procedure Section 1161 et seq., or any similar, successor or related provision of applicable Laws.

11.2.7 No Surrender. No act or conduct of City, whether consisting of the acceptance of the keys to the Premises, or otherwise, shall be deemed to be or constitute an acceptance of the surrender of the Premises by DFO prior to the expiration of the Term, and such acceptance by City of surrender by DFO shall only flow from and must be evidenced by a written acknowledgment of acceptance of surrender signed by City. The surrender of this Agreement by DFO, voluntarily or otherwise, shall not work a merger unless City elects in writing that such merger take place, but shall operate as an assignment to City of any and all existing sub-concession agreements or subleases, or City may, at its option, elect in writing to treat such surrender as a merger terminating DFO's estate under this Agreement, and thereupon City may terminate any or all such sub-concession agreements or subleases by notifying the sub-concessionaire or sublessee of its election so to do within thirty (30) days after such surrender.

11.2.8 City's Lien. In addition to any statutory lien City has, DFO hereby grants to City a continuing security interest for all sums of money becoming due hereunder upon personal property of DFO situated on or about the Premises and such property will not be removed therefrom without the consent of City until all sums of money then due City have been first paid and discharged. If a default occurs under this Agreement, City will have, in addition to all other remedies provided herein or by law, all rights and remedies under the Uniform Commercial Code, including, without limitation, the right to sell the property described in this Section 11.2.8 at public or private sale upon fifteen (15) days' notice to DFO. This contractual lien will be in addition to any statutory lien for rent.

11.2.9 DFO's Waiver of Redemption. DFO waives redemption or relief from forfeiture under California Code of Civil Procedure Sections 1174 and 1179, or under any other pertinent present or future Laws, in the event DFO is evicted or City takes possession of the Premises by reason of any Default of DFO hereunder.

11.3 Right to Remove Equipment. Subject to the provisions of Article VII and its subsections herein and Section 11.2.8, DFO shall have the right to remove its equipment, supplies, furnishings, inventories, removable fixtures and other trade fixtures and personal property from the Premises. If DFO fails to remove said property, said property shall be considered abandoned and City may dispose of same as it sees fit.

11.4 Surrender to be in Writing. No agreement of surrender or to accept a surrender shall be valid unless acknowledged in writing by Executive Director. Neither the doing nor omission of any act or thing by any of the officers, agents or employees of City shall be deemed an acceptance of a surrender of the Premises utilized by DFO under this Agreement.

11.5 Additional Rights of City. City, upon termination or cancellation of this Agreement, or upon reentry, regaining or resumption of possession of the Premises, may occupy the Premises and shall have the right to permit any person, firm or corporation to enter upon the Premises and use the same. Such occupation by others may be of only a part of the Premises, or the whole thereof or a part thereof together with other space, and for a period of time the same as or different from the balance of the term remaining hereunder, and on terms and conditions the same as or different from those set forth in this Agreement. City shall also have the right to repair or to make such structural or other changes in the Premises as are necessary in its judgment to maintain the suitability thereof for uses and purposes similar to those granted under this Agreement without affecting, altering or diminishing the obligations of DFO hereunder.

11.6 Acceptance Is Not a Waiver. No acceptance by City of the fees and charges for other payments specified herein, in whole or in part, and for any period or periods, after a default of any of the terms, covenants and conditions to be performed, kept or observed by DFO, other than the default in the payment thereof, shall be deemed a waiver of any right on the part of City to cancel or terminate this Agreement on account of such default.

11.7 Waiver Is Not Continuous. No waiver by City at any time of any default on the part of DFO in the performance of any of the terms, covenants or conditions hereof to be performed, kept or observed by DFO shall be or be construed to be a waiver at any time thereafter by City of any other or subsequent default in performance of any of said terms, covenants or conditions.

11.8 Waiver of Redemption and Damages. DFO hereby waives any and all rights of redemption granted by or under any present or future law or statute in the event it is dispossessed for any cause, or in the event City obtains or retains possession of the Premises in any lawful manner. DFO further agrees that in the event the manner of method employed by City in reentering or regaining possession of the Premises gives rise to a cause of action in DFO in forcible entry and detainer under the Laws of the State of California, the total amount of damages to which DFO shall be entitled in any such action shall be the sum of One (\$1) Dollar, and DFO agrees that this provision may be filed in any such action as its stipulation fixing the amount of damages to which it is entitled.

11.9 Survival of DFO's Obligations. In the event this Agreement is terminated or canceled by City, or in the event City reenters, regains or resumes possession of the Premises, all of the obligations of DFO hereunder shall survive and shall remain in full force and effect for the full term of this Agreement, other than those obligations of DFO which expressly survive the expiration or earlier termination of this Agreement, which obligations shall survive the expiration or earlier termination of this Agreement indefinitely.

11.10 Cancellation or Termination By DFO. This Agreement may be cancelled or terminated by DFO by giving a thirty (30) day written notice to City upon the happening of one or more of the occurrences specified in Sections 11.10.1 through 11.10.3.

11.10.1 Permanent Abandonment. The permanent abandonment of Airport's passenger terminals for use by airlines or the permanent removal of all certificated passenger airline service from Airport;

11.10.2 Material Restriction of Operation. The lawful assumption by the United States government, or any authorized agency thereof, of the operation, control or use of Airport, or any substantial part thereof, in such manner as to materially restrict DFO from operating thereon for a period of at least ninety (90) consecutive days; or

11.10.3 Federally-Required Amendments. Any exercise of authority as provided in Section 16.8 hereof which shall so interfere with DFO's use and enjoyment of the Premises as to constitute a termination, in whole or in part, of this Agreement by operation of law in accordance with the Laws of the United States.

11.11 Damaged Improvements. In the event that the structural or other improvements or furnishings and supplies constructed or installed by DFO in any or all of the Premises are damaged or destroyed, in whole or in part, from any cause whatsoever other than due to the gross negligence or intentional misconduct of City or the City Agents, DFO shall forthwith proceed with the removal of the debris and damaged or destroyed structural or other improvements, equipment, furnishings and supplies and thereafter shall proceed with all dispatch with the reconstruction work necessary to restore the damaged or destroyed Premises to the condition they were in prior to the occurrence of such damage or destruction and all costs and expense incurred in connection therewith shall be paid by DFO.

11.12 Service During Removal; Transition of Operations. Upon the termination, cancellation or expiration of this Agreement, and under circumstances permitting DFO to remove from the Premises removable property belonging to DFO, DFO will only be allowed to remove such property in accordance with a transition plan approved in advance by the Executive Director. DFO will fully cooperate with City and any succeeding concessionaire with respect to the Premises to ensure an effective and efficient transition of concession operations; it being intended that first-class duty free concession operations and other amenities will be maintained at all times. Subject to any remedies which City may have to secure any unpaid fees or charges due under this Agreement, DFO shall have the right to remove from the Premises only those items of movable equipment and furnishings installed by it; *provided, however*, DFO shall repair all damage done to said areas and other City-owned property resulting from the removal of such machinery, equipment and fixtures. DFO acknowledges that that any licenses or permits granted for operations in connection with the Premises shall not be taken off-Airport for use at other locations. DFO shall take no action that would impair any succeeding concessionaire's ability to obtain, in a timely manner, any necessary licenses or permits.

11.13 City May Renovate. If, during the last month of this Agreement, DFO has removed all or substantially all of its property from the Premises, City may enter said Premises and alter, renovate or redecorate the same.

11.14 Viewing By Prospective Competitors. At any time, and from time to time, during ordinary business hours, within twelve (12) months preceding the expiration of the term of this Agreement, City, by its agents and employees, shall have the right to accompany prospective terminal commercial managers, occupiers or users of the Premises, for the purpose of exhibiting and viewing all parts of the same.

11.15 Tenancy at Sufferance. Any holding over after the expiration of the Primary Term, without the express written consent of City, shall constitute a Default and, without

limiting City's remedies provided in this Agreement, such holding over shall be construed to be a tenancy at sufferance, at a rental rate equal to the greater of one hundred fifty percent (150%) of the fair market rental value for the Premises as determined by Executive Director or two hundred percent (200%) of the Base Rent last due in this Agreement (including, without limitation, and Storage Rent, if any, payable pursuant to Exhibit "E" for any Storage Space), plus Additional Rent, and shall otherwise be on the terms and conditions herein specified, so far as applicable. During any such period, DFO's Faithful Performance Guarantee (as defined in Section 4.10) shall continue in effect. If the Premises are not surrendered at the end of the Primary Term or sooner termination of this Agreement, and in accordance with the provisions of Sections 2.4 and 15, DFO shall indemnify, defend and hold City and City Agents harmless from and against any and all Claims resulting from delay by DFO in so surrendering the Premises including; without limitation, any Claims resulting from any claim against City or any City Agent made by any succeeding concessionaire or prospective concessionaire founded on or resulting from such delay and losses to City due to lost opportunities to lease or grant a concession to any portion of the Premises to any such concessionaire, together with, in each case, actual attorneys' fees and costs.

## **XII DAMAGE OR DESTRUCTION TO PREMISES.**

### **12.1 Damage or Destruction to Premises.**

12.1.1 Insured Damage. If, during the term of this Agreement, any improvements in or on the Premises are partially or totally destroyed from a risk covered by the insurance required to be maintained by DFO pursuant to Section 13.3 herein, thereby rendering said Premises partially or totally inaccessible or unusable, DFO must restore the Premises to substantially the same condition as they were immediately before destruction. The proceeds from any property or casualty insurance policy or policies maintained by DFO relating to the improvements in or on the Premises shall be used for the reconstruction of the improvements in or on the Premises. In the event that for any reason, DFO fails to use any such proceeds for the purpose of the reconstruction of the improvements in or on the Premises, such proceeds shall be paid to City. If the proceeds from any property or casualty insurance policy maintained by DFO is insufficient to cover the cost of such restoration, or if DFO failed to maintain the required insurance, then DFO shall promptly contribute the shortfall necessary to complete the restoration.

12.1.2 Uninsured Damage. If, during the term of this Agreement, improvements in or on the Premises are partially or totally destroyed from a risk not covered by the property, casualty, or fire and extended coverage insurance required to be maintained by DFO pursuant to Section 13.3 herein, thereby rendering said Premises partially or totally inaccessible or unusable, such destruction shall not automatically terminate this Agreement. If, however, the cost of restoration exceeds thirty percent (30%) of the full replacement value of improvements, as said value existed immediately before said destruction, DFO may, at DFO's option, terminate this Agreement as to that portion of the Premises so damaged or destroyed by giving written notice to City within sixty (60) days from the date of discovery of such destruction. If DFO elects to terminate as above provided, DFO shall be obligated, unless otherwise directed by City, to demolish all damaged improvements and remove all debris from the Premises at DFO's sole cost. If DFO fails to exercise its right to terminate this Agreement or if such damage was the result of the negligent act or omission of DFO or any DFO Party, this Agreement shall continue

in full force and effect for the remainder of the term specified herein and DFO shall restore the Premises to substantially the same condition as they were in immediately before destruction.

12.1.3 No Abatement of Rent. DFO's obligation to pay Rent under this Agreement shall not be abated during the period of any damage, destruction or restoration. DFO acknowledges that DFO is solely responsible for obtaining business interruption insurance to insure itself against loss during any period of damage, destruction or restoration.

12.2 Limits of City's Obligations. City shall have absolutely no obligation to repair or restore the Premises in the event of any damage or destruction, except to the extent caused by the gross negligence or intentional misconduct of City or the City Agents. All obligations in connection with the damage or destruction of the Premises are the responsibility of DFO, and City shall have no liability or responsibility for such damage, destruction, repair or restoration, except to the extent caused by the gross negligence or intentional misconduct of City or the City Agents.

12.3 Destruction Near End of Term. In the event that substantial damage or destruction of all or a portion of the Premises occurs during the last eighteen (18) months of the Primary Term, and the repair or restoration necessitated by such substantial damage or destruction would under normal construction procedures require more than three (3) months to complete, in the Executive Director's reasonable judgment, then City shall notify DFO, and either City or DFO may terminate this Agreement as to the portion of the Premises so damaged or destroyed. Such termination shall be effective as of the date of such substantial damage or destruction, or such other date as may be reasonably determined by the Executive Director. If either party so elects to terminate as provided above, DFO will be entitled to retain from the proceeds of DFO's fire or other casualty insurance policies required to be maintained pursuant to this Agreement an amount equal to the Convenience Termination Payment for the terminated Premises, with the balance of the proceeds of such required insurance being paid to City.

12.4 Destruction of Facility. If any non-Premises areas in the Facility in which the Premises are located shall be substantially damaged or destroyed by fire or other casualty, City may terminate this Agreement as to the Premises that are located within such Facility. Such termination shall be effective as of the date of such substantial damage or destruction, or such other date as may be reasonably determined by the Executive Director. In the event of such termination, to the extent that DFO's improvements within such terminated Premises were undamaged, DFO shall receive the Convenience Termination Payment under Section 9.2.1 above with respect to such terminated Premises (it being understood that no Convenience Termination Payment shall be made with respect to damaged or destroyed improvements within the Premises, but DFO will be entitled to retain from the proceeds of DFO's fire or other casualty insurance policies required to be maintained pursuant to this Agreement an amount equal to the Convenience Termination Payment for the terminated Premises, with the balance of the proceeds of such required insurance being paid to City).

12.5 Waiver. DFO hereby waives any rights to terminate this Agreement it may have under California Civil Code Sections 1932 and 1933.

### XIII LIABILITY.

13.1 Liability. DFO shall comply with the indemnification and insurance provisions which follow.

13.2 City Held Harmless. In addition to the requirements of Section 13.3 herein, DFO shall indemnify, defend, keep and hold City and City Agents harmless from and against any and all actions, causes of action, charges, claims, costs, damages, demands, expenses (including attorneys' fees, costs of court and expenses incurred), fines, judgments, liabilities, liens, losses, or penalties of every kind and nature whatsoever (collectively, "**Claims**") arising out of or in connection with (i) the use and occupancy of the Premises or the Airport by DFO or any of the DFO Parties, (ii) any acts or omissions of DFO or any of the DFO Parties, and (iii) any Default by DFO. The foregoing defense and indemnification obligations of DFO shall include, without limitation, all Claims claimed by anyone by reason of injury to or death of persons, including DFO or any of the DFO Parties, or damage to or destruction of property, including property of DFO or any of the DFO Parties, sustained in, or about the Premises or Airport, except to the extent that any such Claims are due to the sole gross negligence or intentional misconduct of City or any of the City Agents.

13.3 Insurance. DFO shall procure at its expense, and keep in effect at all times during the term of this Agreement, the types and amounts of insurance specified on Insurance, Exhibit "H" attached hereto and incorporated by reference herein, including, without limitation, all-risk casualty and property damage insurance to be maintained by DFO, at DFO's expense, covering all improvements located in or on the Premises which policy shall be in the name of DFO and City with loss payable endorsement in a form approved by City. The specified insurance shall also, either by provisions in the policies, by City's own endorsement form or by other endorsement attached to such policies, include and insure City and all of City Agents, their successors and assigns, as additional insureds, against the areas of risk described on Exhibit "H" with respect to acts or omissions of DFO or any of the DFO Parties in their respective operations, use, and occupancy of the Airport or other related functions performed by or on behalf of DFO or any of the DFO Parties in, on or about Airport.

13.3.1 Each specified insurance policy (other than Workers' Compensation and Employers' Liability and fire and extended coverages) shall contain a Severability of Interest (Cross Liability) clause which states, "It is agreed that the insurance afforded by this policy shall apply separately to each insured against whom claim is made or suit is brought except with respect to the limits of the company's liability," and a Contractual Endorsement which shall state, "Such insurance as is afforded by this policy shall also apply to liability assumed by the insured under this Agreement with the City of Los Angeles."

13.3.2 All such insurance shall be primary and noncontributing with any other insurance held by City where liability arises out of or results from the acts or omissions of DFO or any of the DFO Parties. Such policies may provide for such reasonable deductibles and retentions as are acceptable to Executive Director based upon the nature of DFO's operations and the type of insurance involved.

13.3.3 City shall have no liability for any premiums charged for such coverage(s). The inclusion of City and City Agents, their successors and assigns, as insureds is

not intended to, and shall not, make them, or any of them, a partner or joint venturer with DFO in DFO's operations at Airport. In the event DFO fails to furnish City evidence of insurance and maintain the insurance as required, City, upon ten (10) days prior written notice to comply, may (but shall not be required to) procure such insurance at the cost and expense of DFO, and DFO agrees to promptly reimburse City for the cost thereof plus the Administrative Fee for administrative overhead. Payment shall be made within thirty (30) days of invoice date.

13.3.4 At least ten (10) days prior to the expiration date of the above policies, documentation showing that the insurance coverage has been renewed or extended shall be filed with City. If such coverage is canceled or reduced, DFO shall, within fifteen (15) days of such cancellation of coverage, file with City evidence that the required insurance has been reinstated or provided through another insurance company or companies.

13.3.5 DFO shall provide proof of all specified insurance and related requirements to City either by production of the actual insurance policy(ies), by use of City's own endorsement form(s), by broker's letter acceptable to Executive Director in both form and content in the case of foreign insurance syndicates, or by other written evidence of insurance acceptable to Executive Director. The documents evidencing all specified coverages shall be filed with City in duplicate and shall be procured and approved in strict accordance with the provisions in Sections 11.47 through 11.56 of the City of Los Angeles' Administrative Code prior to DFO occupying the Premises. The documents shall contain the applicable policy number, the inclusive dates of policy coverages, and the insurance carrier's name, shall bear an original signature of an authorized representative of said carrier, and shall provide that such insurance shall not be subject to cancellation, reduction in coverage, or nonrenewal except after written notice by certified mail, return receipt requested, to the City Attorney of the City of Los Angeles at least thirty (30) days prior to the effective date thereof. City reserves the right to have submitted to it, upon request, all pertinent information about the agent and carrier providing such insurance.

13.3.6 City and DFO agree that the insurance policy limits specified herein shall be reviewed for adequacy annually throughout the term of this Agreement by Executive Director who may, thereafter, require DFO, on thirty (30) days prior written notice, to adjust the amounts of insurance coverage to whatever reasonable amount said Executive Director deems to be adequate.

13.3.7 Submission of insurance from a non-California admitted carrier is subject to the provisions of California Insurance Code Sections 1760 through 1780, and any other regulations or directives from the State Department of Insurance or other regulatory board or agency. DFO agrees, except where exempted, to provide City proof of said insurance by and through a surplus line broker licensed by the State of California.

13.3.8 To the fullest extent permitted by law and except for the gross negligence or intentional misconduct by City or the City Agents, DFO, on behalf of DFO and its insurers, hereby waives, releases and discharges City and all City Agents from all Claims arising out of damage to or destruction of the Premises, or to DFO's improvements, fixtures, trade fixtures or other personal property located on or about the Premises, and any loss of use or business interruption, caused by any casualty, regardless of whether any such Claim results from the negligence or fault of City or any City Agent, and DFO will look only to DFO's insurance

coverage (regardless of whether DFO maintains any such coverage) in the event of any such Claim. Any property insurance which DFO maintains must permit or include a waiver of subrogation in favor of City and all City Agents.

13.3.9 City's establishment of minimum insurance requirements for DFO in this Agreement is not a representation by City that such limits are sufficient and does not limit DFO's liability under this Agreement in any manner.

#### XIV TRANSFER.

14.1 Transfer Prohibited. DFO shall not, in any manner, directly or indirectly, by operation of law or otherwise, hypothecate, assign, transfer, or encumber this Agreement, the Premises, any Unit or any portion thereof or any interest therein, in whole or in part or any right or privilege appurtenant thereto, or allow any other person (the employees and invitees of DFO excepted) to occupy or use the Premises, or any portion thereof ("**Transfer**"), without the prior written consent of Board, which may be granted, denied or conditioned in Board's sole discretion. Any written request for consent to a Transfer shall include proposed documentation evidencing such Transfer, name and address of the proposed transferee and the nature and character of the business of the proposed transferee and shall provide current and 3 years prior financial statements for the proposed transferee, which financial statements shall be audited to the extent available and shall in any event be prepared in accordance with generally accepted accounting principles (collectively, a "**Transfer Request**"). This Agreement shall not, nor shall any interest therein, be assignable as to the interest of DFO by operation of law without the prior written consent of Board.

14.2 Transfer. For purposes of this Agreement, the term "**Transfer**" shall also include, but not be limited to, the following: (i) if DFO is a joint venture, a limited liability company, or a partnership, the transfer of fifty percent (50%) or more of the interest or membership in the joint venture, the limited liability company, or the partnership; (ii) if DFO is a corporation; any cumulative or aggregate sale, transfer, assignment, or hypothecation of fifty percent (50%) or more of the voting shares of DFO; (iii) the dissolution by any means of DFO; and, (iv) the involvement of DFO or its assets in any transaction or series of transactions (by way of merger, sale of stock, sale of assets, acquisition, financing, refinancing, transfer, corporate restructure, leveraged buyout or otherwise) which results in or will result in either (a) the direct or indirect transfer of fifty percent (50%) or more on a cumulative basis of the ownership and/or controlling interests in DFO or (b) a material reduction of DFO's net worth as stated in the most current financial statements contained in the DFO Proposal. Any such transfer, assignment, mortgaging, pledging, or encumbering of DFO without the written consent of Board is a violation of this Agreement and shall be voidable at City's option and shall confer no right, title, or interest in or to this Agreement upon the assignee, mortgagee, pledgee, encumbrancer, or other lien holder, successor, or purchaser.

14.3 Sub-concession Agreements. Notwithstanding the definition of "**Transfer**" set forth in Sections 14.1 and 14.2 above, DFO may, with the prior written approval of the Executive Director and subject to compliance with the terms and condition set forth in this Section 14.3, enter into sub-concession agreements for the concession operations for a Unit or Units with sub-concessionaires, and in such event, the entering into of any such sub-concession agreement with such sub-concessionaire for such Unit or Units as so approved by the Executive Director shall

not be considered a "Transfer" requiring the consent of the Board under this Article XIV. Each and every such sub-concession agreement with a sub-concessionaire for any portion of the Premises shall be subject to the prior written approval of the Executive Director, prior to its execution by DFO. All proposed sub-concession agreements shall be submitted for approval by the Executive Director at least twenty (20) business days prior to the scheduled date of execution between DFO and the sub-concessionaire. No sub-concession agreement shall be amended, extended or terminated, without the prior written approval of the Executive Director. In connection with any requested approval of any sub-concessionaire and sub-concession agreement, DFO shall provide (or cause to be provided) any and all information as the Executive Director may request regarding the proposed sub-concessionaire and/or sub-concession agreement (including, without limitation, financial statements, financial pro forma for operations, and proposed offerings and pricing). No approval of a sub-concession agreement by the Executive Director hereunder shall operate to release or relieve DFO (or any Guarantor) of any of its obligations under this Agreement (whether relating to the portion of the Premises that is the subject of the sub-concession agreement or otherwise); and notwithstanding any such approval of a sub-concession agreement by the Executive Director, DFO (and any Guarantor) shall be and remain primarily and directly liable for the performance of all of DFO's obligation under this Agreement. The following terms and conditions shall apply to any such sub-concession agreements entered into by DFO and any sub-concessionaire and shall be deemed included in all such sub-concession agreements whether or not expressly incorporated therein:

(a) No sub-concession agreement shall have a term that extends beyond the Expiration Date. All sub-concession agreements shall be subject and subordinate to the rights of City under this Agreement. All sub-concession agreements shall provide that they are subject to either termination or assignment, at the sole option of City as exercised by the Executive Director, upon the expiration or earlier termination of the Primary Term with respect to the Premises in which such Unit is located. In the event that City elects to have a sub-concession agreement assigned to City, such sub-concession agreement shall be deemed assigned by DFO to City; provided, however, City shall not be liable for any prepaid rents or security deposit paid by such sub-concessionaire to DFO or for any prior defaults of DFO under such sub-concession agreement. In the event of the expiration or earlier termination of this Agreement prior to the expiration of any sub-concession agreement, City, at its option and without any obligation to do so, may require any sub-concessionaire to attorn to City, in which event City shall undertake the obligations of DFO under such sub-concession agreement from the time of the exercise of said option to the expiration of such sub-concession agreement; provided, however, City shall not be liable for any prepaid rents or security deposit paid by such sub-concessionaire to DFO or for any prior defaults of DFO under such sub-concession agreement. DFO and such sub-concessionaire shall upon request by the Executive Director execute all assignment and attornment documentation as may be requested by the Executive Director.

(b) DFO hereby assigns and transfers to City all of DFO's interest in all rentals and income arising from any sub-concession agreement entered into by DFO, and City may collect such rent and income and apply the same toward DFO's obligations under this Agreement; provided, however, that until a Default shall occur in the performance of DFO's obligations under this Agreement, DFO may, except as otherwise provided in this Agreement, receive and collect the rents accruing under such sub-concession agreement. City shall not, by reason of this or any other assignment of such sub-concession agreement to City, nor by reason

of the collection of the rents from a sub-concessionaire, be deemed liable to such sub-concessionaire for any failure of DFO to perform and comply with any of DFO's obligations to such sub-concessionaire under such sub-concession agreement. DFO hereby irrevocably authorizes and directs any such sub-concessionaire, upon receipt of a written notice from City stating that a Default exists in the performance of DFO's obligations under this Agreement, to pay to City the rents and other charges due and to become due under such sub-concession agreement. Such sub-concessionaire shall rely upon any such statement and request from City and shall pay such rents and other charges to City without any obligation or right to inquire as to whether such Default exists and notwithstanding any notice from or claim from DFO to the contrary. DFO shall have no right or claim against such sub-concessionaire or against City for any such rents and other charges so paid by such sub-concessionaire to City.

(c) In the event of a Default by DFO in the performance of its obligations under this Agreement, City, at its option and without any obligation to do so, may require any sub-concessionaire to attorn to City, in which event City shall undertake the obligations of DFO under such sub-concession agreement from the time of the exercise of said option to the expiration of such sub-concession agreement; provided, however, City shall not be liable for any prepaid rents or security deposit paid by such sub-concessionaire to DFO or for any other prior Defaults of DFO under such sub-concession agreement.

(d) No sub-concessionaire shall assign or otherwise transfer all or any of its interest under a sub-concession agreement, without the Executive Director's prior written consent.

14.4 No Further Consent Implied. A consent to one Transfer shall not be deemed to be a consent to any other or subsequent Transfer, and consent to any Transfer shall in no way relieve DFO of any liability under this Agreement. Any Transfer without City's consent shall be void, and shall, at the option of City, constitute a Default under this Agreement.

14.5 No Release. Notwithstanding any Transfer, DFO and any Guarantor of DFO's obligations under this Agreement shall at all times remain fully and primarily responsible and liable for the payment of the Rent and for compliance with all of DFO's other obligations under this Agreement (regardless of whether City's approval has been obtained for any such Transfer).

14.6 Payment of City's Costs. In connection with any Transfer, DFO shall pay to City as Additional Rent hereunder an administrative processing fee in the amount of \$2,500.00, plus all attorneys' fees and costs (including, without limitation, the fees and costs attributable to City's in-house City Attorneys) incurred by City in connection with City's review and processing of documents regarding any proposed Transfer.

14.7 Incorporation of Terms. Each Transfer pursuant to this Section shall be subject to all of the covenants, agreements, terms, provisions and conditions contained in this Agreement and each of the covenants, agreements, terms, provisions and conditions of this Agreement shall be automatically incorporated therein. If City shall consent to, or withhold its consent to, any proposed Transfer, DFO shall indemnify, defend and hold harmless City and City Agents from and against and from any and all Claims that may be made against City or any City Agent by the proposed transferee or by any brokers or other persons claiming a commission or similar fee in connection with the proposed Transfer.

14.8 Right to Collect Rent Directly. If this Agreement is transferred or assigned, whether or not in violation of the provisions of this Agreement, City may collect Rent from such transferee or assignee. If the Premises or any part thereof is sublet or used or occupied by anyone other than DFO, whether or not in violation of this Agreement, City may, after a Default by DFO, collect Rent from the occupant. In either event, City may apply the net amount collected to Rent, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any of the provisions of this Section 14, or the acceptance of the assignee, occupant as DFO, or a release of DFO from the further performance by DFO of DFO's obligations under this Agreement. The consent by City to any Transfer pursuant to any provision of this Agreement shall not, except as otherwise provided herein, in any way be considered to relieve DFO from obtaining the express consent of City to any other or further Transfer. References in this Agreement to use or occupancy of the Premises or any portion thereof by anyone other than DFO shall not be construed as limited to subtenants and those claiming under or through subtenants but as including also licensees or others claiming under or through DFO, immediately or remotely.

14.9 Reasonableness of Restrictions. DFO acknowledges and agrees that the restrictions, conditions and limitations imposed by this Section 14 on DFO's ability to Transfer this Agreement or any interest herein, the Premises or any part thereof, to Transfer any right or privilege appurtenant to the Premises, or to allow any other person to occupy or use the Premises or any portion thereof, are, for the purposes of California Civil Code Section 1951.4, as amended from time to time, and for all other purposes, reasonable at the time that this Agreement was entered into, and shall be deemed to be reasonable at the time that DFO seeks to Transfer this Agreement or any interest herein, the Premises or any part thereof, to Transfer any right or privilege appurtenant to the Premises, or to allow any other person to occupy or use the Premises or any portion thereof. DFO's sole remedy if City withholds its consent to any Transfer in violation of DFO's rights under this Agreement shall be injunctive relief, and DFO hereby expressly waives California Civil Code Section 1995.310, which permits all remedies provided by law for breach of contract, including, without limitation, the right to contract damages and the right to terminate this Agreement if City withholds consent to a Transfer in violation of DFO's rights under this Agreement, and any similar or successor statute or law in effect or any amendment thereof during the Term.

14.10 Transfer Premium. If City approves any Transfer as herein provided, DFO shall pay to City, as Additional Rent, one hundred percent (100%) of any monetary or other economic consideration received by DFO as a result of the Transfer over and above the amount of DFO's rental and other payments due City pursuant to this Agreement (or applicable share, if a sublease) (excluding any consideration attributed to assets other than this Agreement) after first deducting the unamortized cost of improvements which costs had been approved by City and paid for by DFO. The agreement evidencing such Transfer, as the case may be, after approval by City, shall not be amended without City's prior written consent, and, at City's option, shall contain a provision directing such transferee to pay the rent and other sums due thereunder directly to City upon receiving written notice from City that DFO is in default under this Agreement with respect to the payment of Rent. In the event that, notwithstanding the giving of such notice, DFO collects any rent or other sums from such transferee, then DFO shall hold such sums in trust for the benefit of City and shall immediately forward the same to City. City's collection of such rent and other sums shall not constitute an acceptance by City of attornment by such transferee.

## XV HAZARDOUS MATERIALS.

15.1 Hazardous Materials. For the purposes of this Agreement, "**Hazardous Materials**" means:

15.1.1 Any substance the presence of which now or hereafter requires the investigation or remediation under any federal, state or local statute, regulation, rule, ordinance, order, action, policy or common law; or

15.1.2 Any substance which is or becomes defined as a hazardous waste, extremely hazardous waste, hazardous material, hazardous substance, hazardous chemical, toxic chemical, toxic substance, cancer causing substance, substance that causes reproductive harm, pollutant or contaminant under any federal, state or local statute, regulation, rule or ordinance or amendments thereto, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. Section 9601 et seq.) or the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.); or

15.1.3 Any substance which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, council, board, or instrumentality of the United States, the State of California, the City of Los Angeles, or any political subdivision of any of them; or

15.1.4 Any substance the presence of which on the Premises causes or threatens to cause a nuisance upon the Premises or to adjacent premises or Common Areas or poses or threatens to pose a hazard to the health or safety of persons on or about the Premises; or

15.1.5 Any substance the presence of which on adjacent premises or Common Areas could constitute a trespass by DFO; or

15.1.6 Any substance, without limitation, which contains gasoline, aviation fuel, jet fuel, diesel fuel or other petroleum hydrocarbons, lubricating oils, solvents, polychlorinated biphenols (PCBs) asbestos, urea formaldehyde or radon gases.

15.2 Prohibition; DFO Responsibility. Except as may be specifically approved in writing in advance by Executive Director ("**Permitted Hazardous Materials**"), DFO shall not use, store, handle, generate, treat, dispose, discharge or release any Hazardous Materials at the Premises, in any Common Areas or at the Airport in connection with its use, occupancy, and operation of its business at the Premises; *provided, however,* Executive Director shall not unreasonably withhold its approval to DFO's use, storage and handling of common cleaning materials routinely present in businesses conducting the Permitted Use to the extent such materials are used strictly in accordance with applicable Laws, manufacturer's instructions and best management practices. DFO agrees to accept sole responsibility for full compliance with any and all applicable present and future rules, regulations, restrictions, ordinances, statutes, laws or other orders of any governmental entity regarding the use, storage, handling, distribution, processing or disposal of Hazardous Materials ("**Hazardous Materials Laws**") relating to the activities of DFO or any DFO Party on or about the Premises or the Airport, regardless of whether the obligation for such compliance or responsibility is placed on the owner of the land, on the owner of any improvements on the Premises, on the user of the land, or on the user of the

improvements. DFO agrees that any damages, penalties or fines levied on City or DFO as a result of noncompliance with any of the above shall be the sole responsibility of DFO; provided, however, DFO shall not have any responsibility or liability with respect to any Hazardous Materials which were in existence in any portion of the Facility, the Premises or elsewhere on the Airport prior to the delivery of any portion of the Premises by City to DFO (all of the foregoing being referred to as “**Pre-Existing Hazardous Materials**”), except to the extent of DFO’s active negligence in the disturbance or other handling of such Pre-Existing Hazardous Materials (such as asbestos containing materials that may be incorporated in the existing improvements located on or about the Premises and may be disturbed during DFO’s construction activities) and such disturbance or handling was not in compliance with applicable Hazardous Materials Laws. Further, DFO shall indemnify, defend, protect and pay and reimburse and hold City any City Agents harmless from any Claims that City or any City Agent suffers or incurs as a result of noncompliance with DFO’s express obligations set forth above. DFO agrees that any actions (including, without limitation, remedial or enforcement actions of any kind, administrative or judicial proceedings, and orders or judgments arising out of or resulting therefrom), costs, claims, damages (including, without limitation, punitive damages), demands, expenses (including, without limitation, attorneys’, consultants’ and experts’ fees, court costs and amounts paid in settlement of any claims or actions), fines, forfeitures or other civil, administrative or criminal penalties, injunctive or other relief (whether or not based upon personal injury, property damage, or contamination of, or adverse effects upon, the environment, water tables or natural resources), liabilities, liens or losses (collectively, “**Environmental Claims**”) asserted against or levied on the Premises, City or DFO as a result of noncompliance with any of DFO’s express obligations set forth in this Section shall be the sole responsibility of DFO and that DFO shall indemnify, defend and hold City and City Agents harmless from all such Environmental Claims. Further, City may, at its option, pay such Environmental Claims resulting from DFO’s non-compliance with any of the terms of this Section, and DFO shall reimburse City for any such payments within thirty (30) days after written demand therefor.

15.3 Spill - Clean-Up. From and after the Delivery Dates with respect to each portion of the Premises, in the case of any Hazardous Materials spill, leak, discharge, or improper storage on the Premises or contamination of the Premises by any person, DFO shall make or cause to be made any necessary repairs or corrective actions and shall clean up and remove any leakage, contamination or contaminated materials. In the case of any Hazardous Materials spill, leak, discharge or contamination by DFO or any of the DFO Parties at the Premises or in, on or under adjacent property which affects other property of City or its tenants’ property, DFO shall make or cause to be made any necessary corrective actions to clean up and remove any spill, leakage or contamination and contaminated materials. In the case of any Hazardous Materials spill, leak, discharge or contamination by City or any of the City’s Agents within the Facilities, City shall take or require to be taken any necessary corrective action required under applicable Hazardous Materials Laws to clean up and remove such spill, leakage, discharge or contamination. If DFO fails to repair, clean up, properly dispose of or take any other corrective actions as required in this Section 15.3, City shall have the right (but not the obligation) to take all steps it deems necessary to properly repair, clean up or otherwise correct the conditions resulting from the spill, leak or contamination. In connection therewith, DFO shall be listed as the owner or “generator” of any Hazardous Materials listed on any Hazardous Waste Manifest and in connection with any reporting made to any governmental entity. Any such repair, cleanup or corrective actions taken by City as the result of DFO’s failure to comply with DFO’s obligations under this Section 15.3 shall be at DFO’s sole cost and expense and DFO shall

indemnify, defend, pay for and reimburse and hold City and City Agents harmless from and against any and all costs (including without limitation, the Administrative Fee) City incurs as a result of any repair, cleanup or corrective action City takes to correct any act or failure to act by DFO.

15.4 Provision to City of Environmental Documents. DFO shall promptly supply City with complete and legible copies of all notices, reports, correspondence, and other documents sent by DFO to or received by DFO from any governmental entity or third party regarding any Hazardous Materials and relating to the Premises. Such written materials include, without limitation, all documents relating to any threatened or actual Hazardous Materials spill, leak, or discharge, or to any investigations into or clean up of any actual or threatened Hazardous Materials spill, leak, or discharge including all test results, or any Environmental Claims related to the Premises, or DFO's use, occupancy or operations at the Premises.

15.5 Hazardous Materials Continuing Obligation. This Section and the obligations herein shall survive the expiration or earlier termination of this Agreement.

## **XVI OTHER PROVISIONS.**

16.1 Other Provisions. The appearance of any provision in this Section shall not diminish its importance.

16.2 Cross Default. A material breach of the terms of any other lease, license, permit, or agreement held by DFO with City shall constitute a material breach of the terms of this Agreement and shall give City the right to terminate this Agreement for cause in accordance with the procedures set forth in this Agreement.

16.3 City's Right of Access and Inspection. City, by its officers, employees, agents, representatives and contractors, shall have the right at all reasonable times to enter upon the Premises for the purpose of inspecting the same, for observing the performance by DFO of its obligations under this Agreement or for doing any act or thing which City may be obligated or have the right to do under this Agreement, or otherwise, and no abatement of fees and charges shall be claimed by or allowed to DFO by reason of the exercise of such right. City shall not be obliged to inform DFO that an inspection or observation is planned, or in progress. Upon City's written request, responsible representatives of DFO will confer with representatives of City for the purpose of making a complete inspection of DFO's operations, including a review of the quality of service, merchandise and prices, maintenance of the Premises, furnishings and equipment and such other items as City may wish to review.

16.4 Automobiles and Other Equipment. Subject to compliance with City's permitting and security clearance requirements, DFO shall have the right to use, hire or contract for such automotive vehicles or other mechanized equipment and the services thereof as it determines to be necessary for the operation of the concession business herein authorized; *provided, however*, that the nature, size, type, character and condition of such automotive vehicles and mechanized equipment (including any requirements that such vehicles or other equipment comply with any LEED, "green" or energy efficiency requirements and policies of the City then in effect) shall be subject to prior written approval of Executive Director before the same is placed in operation. Upon placing such equipment in operation, DFO shall strictly comply with such rules and

regulations as Executive Director may issue, from time to time, covering operation of such equipment and the time periods therefore, the routes over any of the aprons necessary to the operation of the concession, the location of the parking and storage areas for such equipment, the maintenance of the mechanical condition, appearance, neatness, cleanliness and sanitary condition of such equipment and the cleanliness, neat appearance and conduct and demeanor of DFO's or other personnel operating the same (including, without limitation, any requirements imposed by any Private Restrictions (including, without limitation, that certain Community Benefits Agreement). All of said personnel shall have all licenses required by law and shall also be licensed by City, and City may require periodic inspections of such equipment by City representatives. Approval of inspected equipment may be evidenced by a decal or sticker to be placed on same as required by City. A nominal fee to cover such licensing and inspection services may be charged by City.

## 16.5 Notices.

16.5.1 Notice to City. Written notices to City hereunder, with a copy to the City Attorney of the City of Los Angeles, shall be given by United States mail, postage prepaid, certified, or by personal delivery or nationally recognized overnight courier, and addressed to City at the addresses set forth in the Basic Information or to such other address as City may designate by written notice to DFO.

16.5.2 Notice to DFO. Written notices to DFO hereunder shall be given by United States mail, postage prepaid, certified, or by personal delivery or nationally recognized overnight courier, and addressed to DFO at the address set forth in the Basic Information or to such other address as DFO may designate by written notice to City.

16.5.3 The execution of any such notice by Executive Director shall be as effective as to DFO as if it were executed by the Board, or by resolution or order of said Board, and DFO shall not question the authority of Executive Director to execute any such notice.

16.5.4 All such notices to City, except as otherwise provided herein, may be delivered personally to Executive Director with a copy to the Office of the City Attorney, Airport Division. Notices shall be deemed given upon actual receipt (or attempted delivery if delivery is refused), if personally delivered, or one (1) business day following deposit with a reputable overnight courier that provides a confirmation receipt (or refusal), or on the fifth (5th) day following deposit in the United States mail in the manner described above. In no event shall either party use a post office box or other address which does not accept overnight delivery.

16.6 Agent for Service of Process. If DFO is not a resident of the State of California, or is a partnership of joint venture without a partner or member resident in said State, or is a foreign corporation, then in any such event DFO does designate the Secretary of State, State of California, its agent for the purpose of service of process in any court action between it and City arising out of or based upon this Agreement, and the service, shall be made as provided by the Laws of the State of California for service upon a non-resident. Notwithstanding the above, DFO represents to City that its agent for service of process in California is as set forth in the Basic Information ("**Registered Agent**") and City agrees that service of process shall be made on DFO's Registered Agent or such change of Registered Agent as DFO may notify City from time to time. If, for any reason, service of such process is not possible, as an alternative method

of service of process, DFO may be personally served with such process out of this State by mailing, by registered or certified mail, the complaint and process to DFO at the address for notice set forth in the Basic Information, and such service shall constitute valid service upon DFO as of the date of mailing, and DFO shall have thirty (30) days from the date of mailing to respond thereto. DFO agrees to the process so served, submits to the jurisdiction and waives any and all objection and protest thereto, and Laws to the contrary notwithstanding.

#### 16.7 Restrictions and Regulations.

16.7.1 The operations conducted by DFO pursuant to this Agreement shall be subject to: (a) any and all applicable rules, regulations, orders and restrictions which are now in force or which may be hereafter adopted by City, Board or Executive Director with respect to the operation of Airport; (b) any and all orders, directions or conditions issued, given or imposed by City, Board or Executive Director with respect to the use of the roadways, driveways, curbs, sidewalks, parking areas or public areas adjacent to the Premises; and (c) any and all applicable Laws, ordinances, statutes, rules, regulations or orders, including environmental, or any governmental authority, federal, state or municipal, lawfully exercising authority over Airport or DFO's operations. DFO shall be solely responsible for any and all civil or criminal penalties assessed as a result of its failure to comply with any of these rules, regulations, restrictions, ordinances, statutes, Laws, orders, directives and or conditions.

16.7.2 Regulations Do Not Permit Termination. City shall not be liable to DFO for any diminution or deprivation of DFO's rights hereunder on account of the exercise of any such authority, nor shall DFO be entitled to terminate the whole or any portion of this Agreement by reason thereof.

16.8 Right to Amend. In the event that the Federal Aviation Administration or its successors requires modifications or changes in this Agreement as a condition precedent to the granting of funds for the improvement of Airport, DFO agrees to consent to such amendments, modifications, revisions, supplements or deletions of any of the terms conditions or requirements of this Agreement as may be reasonably required to obtain such funds; *provided, however,* that in no event will DFO be required, pursuant to this Section, to agree to an increase in the fees and charges provided for herein or to a change in the use of any Unit, provided it is the Permitted Use, to which DFO has put the Unit. In the event that such required amendment results in a material decrease in DFO's Gross Revenues, then the Executive Director will use good faith efforts to recommend for approval to the Board an amendment to this Agreement providing for an equitable adjustment to the MAG as reasonably determined by the Executive Director following consultation with DFO (it being understood, however, that such amendment to adjust the MAG shall require the approval of the Board acting in the Board's sole and absolute discretion). As a condition to the Executive Director's recommending such amendment, DFO shall have demonstrated to the reasonable satisfaction of the Executive Director, based on a six (6) month review of operations following the implementation of such required amendment, that such required amendment is resulting in a material decrease in DFO's Gross Revenues.

16.9 Independent Contractor. It is the express intention of the parties that DFO is an independent contractor and not an employee, agent, joint venturer or partner of City. Nothing in this DFO shall be interpreted or construed as creating or establishing the relationship of employer and employee between DFO and City or between DFO and any official, agent, or

employee of City. Both parties acknowledge that DFO is not an employee of City. DFO shall retain the right to perform services for others during the term of this Agreement, unless specified to the contrary herein or prohibited by conflict of interest or ethics Laws, regulations, or professional rules of conduct.

16.10 Disabled Access.

16.10.1 DFO shall be solely responsible for fully complying with any and all applicable present or future rules, regulations, restrictions, ordinances, statutes, Laws, or orders of any federal, state, or local governmental entity or court regarding disabled access to the Premises, including any services, programs, improvements or activities provided by DFO. DFO shall be solely responsible for any and all Claims and damages caused by, or penalties levied as the result of, DFO's noncompliance. Further, DFO agrees to cooperate fully with City in its efforts to comply with the ADA.

16.10.2 Should DFO fail to comply with Section 16.10.1, then City shall have the right, but not the obligation, to perform, or have performed, whatever work is necessary to achieve equal access compliance. DFO shall then be required to reimburse City for the actual cost of achieving compliance, plus the Administrative Fee, within thirty (30) days of written demand therefor.

16.11 Child Support Orders. This Agreement is subject to Section 10.10, Article I, Chapter 1, Division 10 of the Los Angeles Administrative Code related to Child Support Assignment Orders, which is incorporated herein by this reference. A copy of section 10.10 and the Declaration of Compliance form have been attached hereto for the convenience of the parties as Exhibit "I". Pursuant to this Section, DFO (and any concessionaire of DFO providing services to City under this Agreement) shall (1) fully comply with all State and Federal employment reporting requirements for DFO's or DFO's concessionaire's employees applicable to Child Support Assignment Orders; (2) certify that the principal owner(s) of DFO and applicable concessionaires are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (3) fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230, et seq.; and (4) maintain such compliance throughout the term of this Agreement. Pursuant to Section 10.10(b) of the Los Angeles Administrative Code, failure of DFO or an applicable concessionaire to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment Orders and Notices of Assignment or the failure of any principal owner(s) of DFO or applicable concessionaires to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default of this Agreement subjecting this Agreement to termination where such failure shall continue for more than ninety (90) days after notice of such failure to DFO by City (in lieu of any time for cure provided elsewhere in this Agreement).

16.12 Business Tax Registration. DFO represents that it has registered its business with the Office of Finance of the City of Los Angeles and has obtained and presently holds from that Office a Business Tax Registration Certificate ("BTRC"), or a Business Tax Exemption Number, required by the City of Los Angeles' Business Tax Ordinance (Article 1, Chapter 2, Sections 21.00 and following, of the City of Los Angeles' Municipal Code). DFO shall

maintain, or obtain as necessary, all such certificates required of it under said Ordinance and shall not allow any such certificate to be revoked or suspended during the term hereof.

16.13 Ordinance and Los Angeles Administrative Code (“Code”) Language Governs. Ordinance and Code exhibits are provided as a convenience to the parties only. In the event of a discrepancy between the exhibits and the applicable ordinance or code language, or amendments thereto, the language of the ordinance or code shall govern.

16.14 Amendments to Ordinances and Codes. The obligation to comply with any Ordinances and Codes which have been incorporated into this Agreement by reference, shall extend to any amendments which may be made to those Ordinances and Codes during the term of this Agreement.

16.15 Non-Discrimination and Affirmative Action Provisions.

16.15.1 Federal Non-Discrimination Provisions. DFO assures that it will comply with pertinent statutes, Executive Orders, and such rules as are promulgated to assure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or handicap be excluded from participating in any activity conducted with or benefiting from Federal assistance. This provision obligates DFO or its transferee for the period during which Federal assistance is extended to the airport program, except where Federal assistance is to provide, or is in the form of personal property or real property or interest therein or structures or improvements thereon. In these cases, the provision obligates the party or any transferee for the longer of the following periods: (a) the period during which the property is used by the sponsor or any transferee for a purpose for which Federal assistance is extended, or for another purpose involving the provision of similar services or benefits; or (b) the period during which the airport sponsor or any transferee retains ownership or possession of the property.

16.15.2 Municipal Non-Discrimination Provisions In Use of Airport. There shall be no discrimination against or segregation of any person, or group of persons, on account of race, religion, national origin, ancestry, sex, sexual orientation, gender identity, gender expression, age, physical handicap, marital status, domestic partner status, or medical condition in connection with this Agreement, the transfer, use, occupancy, tenure, or enjoyment of the Airport or any operations or activities conducted on the Airport. Nor shall DFO or any person claiming under or through DFO establish or contract any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of contractors, subcontractors, or vendees of the Airport. Any assignment or transfer, which may be permitted under this Agreement, shall also be subject to all non-discrimination clauses contained in this Section 16.15.

16.15.3 Municipal Non-Discrimination Provisions in Employment. During the term of this Agreement, DFO agrees and obligates itself in the performance of this Agreement not to discriminate against any employee or applicant for employment because of the employee’s or applicant’s race, religion, national origin, ancestry, sex, sexual orientation, gender identity, gender expression age, physical handicap, marital status, domestic partner status, or medical condition. DFO shall take affirmative action to insure that applicants for employment are treated, during the term of this Agreement, without regard to the aforementioned factors and

shall comply with the affirmative action requirements of the Los Angeles Administrative Code, Sections 10.8, et seq., or any successor ordinances or law concerned with discrimination.

16.15.4 Municipal Equal Employment Practices. If the total payments made under this Agreement are One Thousand Dollars (\$1,000) or more, this provision shall apply. During the performance of this Agreement, DFO agrees to comply with Section 10.8.3 of the Los Angeles Administrative Code ("**Equal Employment Practices**"), which is incorporated herein by this reference. A copy of Section 10.8.3 has been attached to this Agreement for the convenience of the parties as Exhibit "J". By way of specification but not limitation, pursuant to Sections 10.8.3.E and 10.8.3.F of the Los Angeles Administrative Code, the failure of DFO to comply with the Equal Employment Practices provisions of this Agreement may be deemed to be a material breach of this Agreement. No such finding shall be made or penalties assessed except upon a full and fair hearing after notice and an opportunity to be heard have been given to DFO. Upon a finding duly made that DFO has failed to comply with the Equal Employment Practices provisions of this Agreement, this Agreement may be forthwith terminated, cancelled, or suspended.

16.15.5 Municipal Affirmative Action Program. If the total payments made under this Agreement are One Hundred Thousand Dollars (\$100,000) or more, this provision shall apply. During the performance of this Agreement, DFO agrees to comply with Section 10.8.4 of the Los Angeles Administrative Code ("**Affirmative Action Program**"), which is incorporated herein by this reference. A copy of Section 10.8.4 has been attached to this Agreement for the convenience of the parties as Exhibit "K". By way of specification but not limitation, pursuant to Sections 10.8.4.E and 10.8.4.F of the Los Angeles Administrative Code, the failure of DFO to comply with the Affirmative Action Program provisions of this Agreement may be deemed to be a material breach of this Agreement. No such finding shall be made or penalties assessed except upon a full and fair hearing after notice and an opportunity to be heard have been given to DFO. Upon a finding duly made that DFO has failed to comply with the Affirmative Action Program provisions of this Agreement, this Agreement may be forthwith terminated, cancelled, or suspended.

16.15.6 Non-Discriminatory Pricing. DFO shall furnish its services on a reasonable and not unjustly discriminatory basis to all users, and charge reasonable and not unjustly discriminatory prices for each unit or service, provided that DFO may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.

16.15.7 Concessionaires. DFO shall ensure that each sub-concessionaire complies with the foregoing provisions of this Section 16.15 in connection with the activities of such sub-concessionaire under its sub-concession agreement.

16.16 Security - General. DFO shall be responsible for fully complying with any and all applicable present or future rules, regulations, restrictions, ordinances, statutes, Laws or orders of any federal, state or local governmental entity regarding airfield security.

16.16.1 Security - FAA. DFO shall be responsible for the maintenance and repair of gates and doors that are located at the Premises or controlled by DFO. DFO shall comply fully with applicable provisions of the Federal Aviation Administration Regulations, 14

CFR, Part 107 [and Part 108 if DFO is an air carrier], including the establishment and implementation of procedures acceptable to Executive Director to control access from the Premises to air operation areas in accordance with the Airport Security Program required by Part 107. Further, DFO shall exercise exclusive security responsibility for the Premises and, if DFO is an air carrier, do so pursuant to DFO's Federal Aviation Administration approved Air Carrier Standard Security Program used in accordance with 14 CFR, Part 129.

16.16.2 Security - Doors and Gates. Gates and doors located at the Premises which permit entry into restricted areas at Airport shall be kept locked by DFO at all times when not in use or under DFO's constant security surveillance. Gate or door malfunctions which permit unauthorized entry into restricted areas shall be reported to Department of Airports' Operations Bureau without delay and shall be maintained under constant surveillance by DFO until repairs are affected by DFO or City or the gate or door is properly secured.

16.16.3 Security - Penalties. All civil penalties levied by the Federal Aviation Administration for violation of Federal Aviation Regulations pertaining to security gates or doors located at the Premises or otherwise controlled by DFO shall be the sole responsibility of DFO. DFO agrees to indemnify, defend and hold City and City Agents harmless from and against any Claims or any federal civil penalties amounts City or any City Agent must pay due to any security violation arising from the use of DFO's leasehold or the breach of any obligation imposed by this Section. DFO will be billed for the cost of any such penalties paid by City as Additional Rent hereunder, plus the Administrative Fee, to be paid by DFO to City within thirty (30) days of written demand.

16.16.4 Security Arrangements. City shall provide, or cause to be provided, during the term hereof, the public fire, police and security protection similar to that afforded to others at Airport, and it will issue and enforce rules and regulations with respect thereto for all portions of Airport. DFO shall have the right, but shall not be obligated, to provide such additional or supplemental private protection as it may desire.

16.17 Visual Artists' Rights Act. DFO shall not install, or cause to be installed, any work of art subject to the Visual Artists' Rights Act of 1990 (as amended), 17 U.S.C. 106A, et seq., or California Code Section 980, et seq., ("**VARA**") on or about the Premises without first obtaining a waiver, in writing, of all rights under VARA, satisfactory to Executive Director and approved as to form and legality by the City Attorney's Office, from the artist. Said waiver shall be in full compliance with VARA and shall name City as a party for which the waiver applies. DFO is prohibited from installing, or causing to be installed, any piece of artwork covered under VARA on the Premises without the prior, written approval and waiver of Executive Director. Any work of art installed on the Premises without such prior approval and waiver shall be deemed a trespass, removable by City, by and through its Executive Director, upon three (3) days written notice, all costs, expenses, and liability therefore to be borne exclusively by DFO. DFO, in addition to other obligations to indemnify, defend and hold City and City Agents harmless, as more specifically set forth in this Agreement, shall indemnify, defend and hold City and City Agents harmless from all Claims resulting from DFO's failure to obtain City's waiver of VARA and failure to comply with any portion of this provision. The rights afforded City under this provision shall not replace any other rights afforded City in this Agreement or otherwise, but shall be considered in addition to all its other rights.

16.18 Living Wage Ordinance General Provisions. This Agreement and all sub-concession agreements are subject to the Living Wage Ordinance (hereinafter referred to as “LWO”) (Section 10.37, et seq., of the Los Angeles Administrative Code, which is incorporated herein by this reference). A copy of Section 10.37 has been attached hereto for the convenience of the parties as Exhibit “L”. The LWO requires that, unless specific exemptions apply, any employees of service contractor’s who render services that involve an expenditure in excess of Twenty Five Thousand Dollars (\$25,000) and a contract term of at least three months are covered by the LWO if any of the following applies: (1) at least some of the services are rendered by employees whose work site is on property owned by City, (2) the services could feasibly be performed by City of Los Angeles employees if the awarding authority had the requisite financial and staffing resources, or (3) the designated administrative agency of the City of Los Angeles has determined in writing that coverage would further the proprietary interests of the City of Los Angeles. Employees covered by the LWO are required to be paid not less than a minimum initial wage rate, as adjusted each year. The LWO also requires that employees be provided with at least twelve (12) compensated days off per year for sick leave, vacation, or personal necessity at the employee’s request, and at least ten (10) additional days per year of uncompensated time pursuant to Section 10.37.2(b). The LWO requires employers to inform employees making less than Twelve Dollars (\$12) per hour of their possible right to the federal Earned Income Tax Credit (“EITC”) and to make available the forms required to secure advance EITC payments from the employer pursuant to Section 10.37.4. DFO shall permit access to work sites for authorized City representatives to review the operation, payroll, and related documents, and to provide certified copies of the relevant records upon request by City. Whether or not subject to the LWO, DFO shall not retaliate against any employee claiming non-compliance with the provisions of the LWO, and, in addition, pursuant to Section 10.37.6(c), DFO agrees to comply with federal law prohibiting retaliation for union organizing.

16.18.1 Living Wage Coverage Determination. An initial determination has been made that this Agreement and any sub-concession agreements are service contracts under the LWO, and that it is not exempt from coverage by the LWO. Determinations as to whether this Agreement and any sub-concession agreements are service contracts covered by the LWO, or whether an employer or employee are exempt from coverage under the LWO are not final, but are subject to review and revision as additional facts are examined or other interpretations of the law are considered. In some circumstances, applications for exemption must be reviewed periodically. City shall notify DFO in writing about any redetermination by City of coverage or exemption status. To the extent DFO claims non-coverage or exemption from the provisions of the LWO, the burden shall be on DFO to prove such non-coverage or exemption.

16.18.2 Compliance; Termination Provisions and Other Remedies: Living Wage Policy. If DFO and any sub-concessionaires are not initially exempt from the LWO, DFO shall comply, and shall cause any sub-concessionaires to comply, with all of the provisions of the LWO, including payment to employees at the minimum wage rates, effective on the execution date of this Agreement, and shall execute the Declaration of Compliance Form attached to this Agreement, as part of Exhibit “M”, contemporaneously with the execution of this Agreement. If DFO is initially exempt from the LWO, but later no longer qualifies for any exemption, DFO shall, at such time as DFO is no longer exempt, comply with the provisions of the LWO and execute the then currently used Declaration of Compliance Form, or such form as the LWO requires. Under the provisions of Section 10.37.6(c) of the Los Angeles Administrative Code, violation of the LWO shall constitute a material breach of this Agreement and City shall be

entitled to terminate this Agreement and otherwise pursue legal remedies that may be available, including those set forth in the LWO, if City determines that DFO violated the provisions of the LWO. The procedures and time periods provided in the LWO are in lieu of the procedures and time periods provided elsewhere in this Agreement. Nothing in this Agreement shall be construed to extend the time periods or limit the remedies provided in the LWO.

16.18.3 Subcontractor Compliance. DFO agrees to include, in every subcontract or sub-concession agreement covering City property entered into between DFO and any subcontractor or sub-concessionaire, a provision pursuant to which such subcontractor or sub-concessionaire (A) agrees to comply with the Living Wage Ordinance and the Service Contractor Worker Retention Ordinance with respect to City's property; (B) agrees not to retaliate against any employee lawfully asserting noncompliance on the part of the subcontractor or sub-concessionaire with the provisions of either the Living Wage Ordinance or the Service Contractor Worker Retention Ordinance; and (C) agrees and acknowledges that City, as the intended third-party beneficiary of this provision may (i) enforce the Living Wage Ordinance and Service Contractor Worker Retention Ordinance directly against the subcontractor or sub-concessionaire with respect to City property, and (ii) invoke, directly against the subcontractor or sub-concessionaire with respect to City property, all the rights and remedies available to City under Section 10.37.5 of the Living Wage Ordinance and Section 10.36.3 of the Service Contractor Worker Retention Ordinance, as same may be amended from time to time.

16.19 Service Contract Worker Retention Ordinance. This Agreement may be subject to the Service Contract Worker Retention Ordinance (hereinafter referred to as "**SCWRO**") (Section 10.36, et seq., of the Los Angeles Administrative Code), which is incorporated herein by this reference. A copy of Section 10.36 has been attached for the convenience of the parties as Exhibit "N". If applicable, DFO must also comply with the SCWRO which requires that, unless specific exemptions apply, all employers under contracts that are primarily for the furnishing of services to or for the City of Los Angeles and that involve an expenditure or receipt in excess of Twenty Five Thousand Dollars (\$25,000) and a contract term of at least three (3) months, shall provide retention by a successor DFO for a ninety-day (90-day) transition period of the employees who have been employed for the preceding twelve (12) months or more by the terminated DFO or concessionaire, if any, as provided for in the SCWRO. Under the provisions of Section 10.36.3(c) of the Los Angeles Administrative Code, City has the authority, under appropriate circumstances, to terminate this Agreement and otherwise pursue legal remedies that may be available if City determines that the subject DFO violated the provisions of the SCWRO.

16.20 Equal Benefits Ordinance. Unless otherwise exempt in accordance with the provisions of the Equal Benefits Ordinance ("**EBO**"), DFO certifies and represents that DFO will comply with the applicable provisions of EBO Section 10.8.2.1 of the Los Angeles Administrative Code, as amended from time to time. DFO shall not, in any of its operations within the City of Los Angeles or in other locations owned by the City of Los Angeles, including the Airport, discriminate in the provision of Non-ERISA Benefits (as defined below) between employees with domestic partners and employees with spouses, 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. As used above, the term "**Non-ERISA Benefits**" shall mean any and all benefits payable through benefit arrangements generally available to DFO's employees which are neither "employee welfare benefit plans" nor "employee pension plans", as those terms are defined in Sections 3(1) and 3(2)

of ERISA. Non-ERISA Benefits shall include, but not be limited to, all benefits offered currently or in the future, by DFO to its employees, the spouses of its employees or the domestic partners of its employees, that are not defined as “employee welfare benefit plans” or “employee pension benefit plans”, and, which include any bereavement leave, family and medical leave, and travel discounts provided by DFO to its employees, their spouses and the domestic partners of employees.

16.20.1 DFO agrees to post the following statement in conspicuous places at its place of business available to employees and applicants for employment:

“During the term of a Contract with the City of Los Angeles, DFO will provide equal benefits to employees with spouses and its employees with domestic partners. Additional information about the City of Los Angeles’ Equal Benefits Ordinance may be obtained from the Department of Public Works, Bureau of Contract Administration, Office of Contract Compliance at (213) 847-6480.”

16.20.2 The failure of DFO to comply with the EBO will be deemed to be a material breach of this Agreement by City. If DFO fails to comply with the EBO, City may cancel or terminate this Agreement, in whole or in part, and all monies due or to become due under this Agreement may be retained by City. City may also pursue any and all other remedies at law or in equity for any breach. Failure to comply with the EBO may be used as evidence against DFO in actions taken pursuant to the provisions of Los Angeles Administrative Code Section 10.40, et seq., DFO Responsibility Ordinance. If City determines that DFO has set up or used its contracting entity for the purpose of evading the intent of the EBO, City may terminate this Agreement.

16.21 Contractor Responsibility Program. DFO shall comply with the provisions of the Contractor Responsibility Program adopted by the Board. Executive Directives setting forth the rules, regulations, requirements and penalties of the Contractor Responsibility Program and the Pledge of Compliance Form is attached hereto as Exhibit “O” and incorporated herein by reference.

16.22 First Source Hiring Program for Airport Employers. For all work performed at Airport, DFO shall comply, and shall cause its sub-concessionaires to comply, with all terms and conditions of the First Source Hiring Program (“**FSHP**”). A copy of the FSHP is attached hereto and incorporated by reference herein as Exhibit “P”.

16.23 Environmentally Favorable Options. DFO acknowledges for itself and its sub-concessionaires that its operation of its activities under this Agreement will be subject to all of City of Los Angeles’ policies, guidelines and requirements regarding environmentally favorable construction, use or operations practices (hereinafter collectively referred to as “**City Policies**”) as such City Policies may be promulgated, revised and amended from time-to-time.

16.24 Municipal Lobbying Ordinance. DFO shall comply with the provisions of the City of Los Angeles Municipal Lobbying Ordinance.

16.25 Labor Peace Agreement. As a condition precedent to the execution of this Agreement: (i) DFO shall have a signed Labor Peace Agreement (“**LPA**”) with the labor organizations representing or seeking to represent concession workers at the Premises covered by

this Agreement; (ii) DFO shall have submitted to City a copy of such LPA, executed by all of the parties; and (iii) such LPA shall prohibit such labor organizations and their members from engaging in picketing, work stoppages, boycotts or other economic interference with the business of DFO at any of the airports operated by City for the duration of this Agreement. DFO shall not enter into a sub-concession agreement with a sub-concessionaire unless: (i) such sub-concessionaire shall have signed an LPA with the labor organizations representing or seeking to represent concession workers at the Unit covered by such sub-concession agreement; (ii) DFO or such sub-concessionaire shall have submitted to City a copy of such LPA, executed by all of the parties to such LPA; and (iii) such LPA shall prohibit such labor organizations and their members from engaging in picketing, work stoppages, boycotts or other economic interference with the business of such sub-concessionaire at any of the airports operated by City for the duration of such sub-concession agreement.

16.26 Alternative Fuel Vehicle Requirement Program. DFO shall comply with the provisions of the Alternative Fuel Vehicle Requirement Program. The rules, regulations, and requirements of the Alternative Fuel Vehicle Program are attached as Exhibit "Q" and made a material term of this Agreement.

16.27 Ownership of Work Product. DFO agrees that any and all intellectual properties, including, but not limited to, all ideas, concepts, themes, documentation or other literature, or illustrations, or any components thereof, conceived, developed, written or contributed by DFO, either individually or in collaboration with others, for the benefit of City, shall belong to and be the sole property of City.

16.28 Estoppel Certificate. Upon written request of City, DFO shall execute, acknowledge and deliver to City or its designee, an Estoppel Certificate in the form then required by City and with any other statements reasonably requested by City or its designee. Any such Estoppel Certificate may be relied upon by such designee. If DFO fails to provide such certificate within ten (10) days of receipt by DFO of a written request by City as herein provided, such failure shall, at City's election, constitute a Default under this Agreement, and DFO shall be deemed to have given such certificate as above provided without modification and shall be deemed to have admitted the accuracy of any information supplied by City to such designee.

16.29 Subordination of Agreement. This Agreement shall be subordinate to the provisions of any existing or future agreement between City and the United States of America, its boards, agencies or commissions, or between City and the State of California, relative to the operations or maintenance of Airport the execution of which has been or may be required as a condition precedent to the expenditure of federal or state funds for the development of said Airport. This Agreement and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire affecting the control, operation, regulation, and taking over of the Airport or the exclusive or nonexclusive use of the Airport by the United States during the time of war or national emergency.

16.30 Laws of California; Venue. This Agreement shall be construed and enforced in accordance with the laws of the State of California and venue shall lie in the appropriate U.S. Federal Court or California Superior Court located in Los Angeles County, California

16.31 Agreement Binding Upon Successors. Subject to the provisions of Section 14, this Agreement shall be binding upon and shall inure to the benefit of the successors, heirs and assigns of the parties hereto.

16.32 Attorneys' Fees. If either party hereto fails to perform any of its obligations under this Agreement or if any dispute arises between the parties hereto concerning the meaning or interpretation of any provision of this Agreement, then 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 on account of such default or in enforcing or establishing its rights hereunder, including, without limitation, court costs and reasonable attorneys' fees and disbursements. Any such attorneys' fees and other expenses incurred by either party in enforcing a judgment in its favor under this Agreement shall be recoverable separately from and in addition to any other amount included in such judgment, and such attorneys' fees obligation is intended to be severable from the other provisions of this Agreement and to survive and not be merged into any such judgment.

16.33 Entire Agreement. The provisions of this Agreement constitute the entire agreement between the parties hereto and said Agreement may not be changed or modified in any manner except by written amendment fully executed by City and DFO. This Agreement supersedes the RFP and the DFO Proposal, except that the certifications, affidavits, commitments and undertakings of DFO set forth in (i) Section 4 of the DFO Proposal (Official Proposal Statement dated April 2, 2012), (ii) Section 6 of the DFO Proposal regarding DFO's certified financial statements, (iii) Section 11 of the DFO Proposal (Business Ethics Disclosure), and (iv) the Administrative Requirements (as described in the RFP) are incorporated herein by reference to the extent that the same are not in conflict with the terms of this Agreement (it being understood that the terms of this Agreement shall control). There are no representations, agreements or understandings, oral or written, between and among the parties relating to the subject matter contained in this Agreement which are not fully set forth herein. This is an integrated agreement. DFO acknowledges that it has conducted its own due diligence investigation of its prospects for successfully operating the Permitted Use at the Premises, and has made its own determination of the accuracy of any information provided by City with respect to the financial results of any prior operator of any similar business at the Airport, that City has made no representations or warranties to DFO with respect to any of such matters, and that all prior discussions between City and DFO with respect to such matters are superseded by this Agreement.

16.34 Conditions and Covenants. Each covenant herein is a condition, and each condition herein is as well a covenant by the parties bound thereby, unless waived in writing by the parties hereto.

16.35 Gender and Plural Usage. The use of any gender herein shall include all genders and the use of any number shall be construed as the singular or the plural, all as the context may require.

16.36 Time is of the Essence; Days. Time shall be of the essence in complying with the terms, conditions, and provisions of this Agreement. Unless otherwise expressly specified, "days" shall mean calendar days.

16.37 Void Provision. If any provision of this Agreement is determined to be void by any court of competent jurisdiction, then such determination shall not affect any other provision of this Agreement, and all such other provisions shall remain in full force and effect.

16.38 Construction and Interpretation. It is the intention of the parties hereto that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid. The language of this Agreement shall be construed according to its fair meaning, and not strictly for or against either City or DFO.

16.39 Section Headings. The section headings appearing herein are for the convenience of City and DFO, and shall not be deemed to govern, limit, modify or in any manner affect the scope, meaning or intent of the provisions of this Agreement.

16.40 Waiver of Claims. DFO hereby waives any Claim against City and City Agents for loss of anticipated profits caused by any suit or proceeding directly or indirectly attacking the validity of this Agreement or any part hereof, or by any judgment or award in any suit or proceeding declaring this Agreement null, void or voidable, or delaying the same, or any part hereof, from being carried out.

16.41 Waiver. Every provision herein imposing an obligation upon City or DFO is material inducement and consideration for the execution of this Agreement. No waiver by City or DFO of any breach of any provision of this Agreement shall be deemed for any purpose to be a waiver of any breach of any other provision hereof nor of any continuing or subsequent breach of the same provision.

16.42 Representations of DFO. DFO (and, if DFO is a corporation, partnership, limited liability company or other legal entity, such corporation, partnership, limited liability company or entity) hereby makes the following representations and warranties, each of which is material and being relied upon by City, is true in all respects as of the date of this Agreement, and shall survive the expiration or termination of the Agreement. DFO shall re-certify such representations to City periodically, upon City's written request.

16.42.1 If DFO is an entity, DFO is duly organized, validly existing and in good standing under the laws of the state of its organization, and is qualified to do business in the state in which the Premises is located, and the persons executing this Agreement on behalf of DFO have the full right and authority to execute this Agreement on behalf of DFO and to bind DFO without the consent or approval of any other person or entity. DFO has full power, capacity, authority and legal right to execute and deliver this Agreement and to perform all of its obligations hereunder. This Agreement is a legal, valid and binding obligation of DFO, enforceable in accordance with its terms.

16.42.2 DFO has not (i) made a general assignment for the benefit of creditors, (ii) filed any voluntary petition in bankruptcy or suffered the filing of an involuntary petition by any creditors, (iii) suffered the appointment of a receiver to take possession of all or substantially all of its assets, (iv) suffered the attachment or other judicial seizure of all or substantially all of its assets, (v) admitted in writing its inability to pay its debts as they come due, or (vi) made an

offer of settlement, extension or composition to its creditors generally within the last 5 years prior to the date of this Agreement or any re-certification.

16.42.3 DFO hereby represents and warrants to City that DFO is not:

1. in violation of any Anti-Terrorism Law (as hereinafter defined);
2. nor is any holder of any direct or indirect equitable, legal or beneficial interest in DFO, as of the date hereof: (A) conducting any business or engaging in any transaction or dealing with any Prohibited Person (as hereinafter defined), or any company with business operations in Sudan that are prohibited under Cal. Gov. Code §7513.6, including the governments of Cuba, Iran, North Korea, Myanmar and Syria and, including the making or receiving of any contribution of funds, goods or services to or for the benefit of any Prohibited Person or forbidden entity; (B) dealing in, or otherwise engaging in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224; or (C) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate any of the prohibitions set forth in, any Anti-Terrorism Law; and
3. a Prohibited Person, nor are any of DFO's affiliates, officers, directors, shareholders, members or lease guarantor, as applicable, a Prohibited Person.

If at any time any of these representations becomes false, then it shall be considered a material Default under this Agreement. As used herein, "**Anti-Terrorism Law**" is defined as any law relating to terrorism, anti-terrorism, money-laundering or anti-money laundering activities, including without limitation the United States Bank Secrecy Act, the United States Money Laundering Control Act of 1986, Executive Order No. 13224, Title 3 of the USA Patriot Act, Cal. Gov. Code §7513.6, and any regulations promulgated under any of them. As used herein "**Executive Order No. 13224**" is defined as Executive Order No. 13224 on Terrorist Financing effective September 24, 2001, and relating to "Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism", as may be amended from time to time. "**Prohibited Person**" is defined as (i) a person or entity that is listed in the Annex to Executive Order No. 13224, or a person or entity owned or controlled by an entity that is listed in the Annex to Executive Order No. 13224; (ii) a person or entity with whom Landlord is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law; or (iii) a person or entity that is named as a "specially designated national and blocked person" on the most current list published by the U.S. Treasury Department Office of Foreign Assets Control at its official website, <http://www.treas.gov/ofac/t11sdn.pdf> or at any replacement website or other official publication of such list. "**USA Patriot Act**" is defined as the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (Public Law 107-56), as may be amended from time to time.

16.42.4 Additional Representations of DFO. DFO represents as of the date of this Agreement that the representations and warranties of DFO contained in DFO's Proposal and in any financial statement or other materials provided by DFO are true, correct and complete, and shall be deemed restated in full in this Agreement.

16.43 DFO Acknowledgement and Waiver. DFO expressly represents, acknowledges and agrees that: (a) in connection with this Agreement, the rights granted to DFO pursuant to this Agreement, or any termination or expiration thereof, DFO has no right or entitlement whatsoever to receive any relocation assistance, moving expenses, goodwill or other payments or compensation under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, 42 U.S.C. Section 4601 et seq., the California Relocation Assistance Law, as amended, California Government Code Section 7260 et seq., California Eminent Domain Law (California Code of Civil Procedure Section 1230.010 et seq.), the law of inverse condemnation, and/or under any other relocation, eminent domain, condemnation or similar law now or hereafter in effect (collectively, "Compensation Claims"); (b) DFO is not entitled to assert any Compensation Claims arising out of or in connection with DFO's surrender or vacation of the Premises; and (c) nothing in this Agreement shall create, or otherwise give rise to, any rights for DFO or any DFO Party to receive any relocation assistance, moving expenses, goodwill or other payments or compensation under the foregoing laws, all of which rights and Compensation Claims (to the extent the same may be applicable) are hereby waived and relinquished by DFO and the DFO Parties.

16.44 Parties In Interest. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than City and DFO, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement. The DFO Parties are not third party beneficiaries of this Agreement.

16.45 City Approval. Following the execution and delivery of this Agreement, whenever this Agreement calls for a matter to be approved or disapproved by or on behalf of City, then the written approval, disapproval, or consent of the Executive Director within the legal authority of the Executive Director, subject to the approval of the Office of the City Attorney as to form, shall constitute the approval, disapproval, or consent of City; provided, however, if the approval or consent by City is in excess of the Executive Director's legal authority, then such matter shall be approved by the Board. Except as otherwise expressly set forth in this Agreement, with respect to any matter that is subject to the approval or consent of the Executive Director or the Board, such approval or consent may be given or withheld in the Executive Director's or the Board's sole and absolute discretion. Any approvals or consents required from or given by City under this Agreement shall be approvals of the City of Los Angeles Department of Airports acting as the owner and operator of the Airport, and shall not relate to, constitute a waiver of, supersede or otherwise limit or affect the rights or prerogatives of the City of Los Angeles as a government, including the right to grant or deny any permits required for construction or maintenance of the Premises and the right to enact, amend or repeal laws and ordinances, including, without limitation, those relating to zoning, land use, and building and safety. No approval or consent on behalf of City will be deemed binding upon City unless approved in writing as to form by the City Attorney.

16.46 Board Order AO-5077 Exemption. With respect to the provision of products and services pursuant to this Agreement, DFO, its sub-concessionaires, and their respective vendors are expressly exempt from the Board-imposed license fee described in Board Order AO-5077 and related Staff Report, which license fee may, in the absence of such exemption, be assessed on the gross revenues derived from the provision of products and services pursuant to this Agreement.

16.47 Compliance with Los Angeles City Charter Section 470(c)(12).

16.47.1 DFO, subcontractors and their principals are obligated to fully comply with City of Los Angeles Charter Section 470(c)(12) and related ordinances, regarding limitations on campaign contributions and fundraising for certain elected City of Los Angeles officials or candidates for elected City of Los Angeles office if the contract is valued at \$100,000 or more and requires approval of a City of Los Angeles elected official. Additionally, DFO is required to provide and update certain information to the City as specified by law. Any contractor subject to Charter Section 470(c)(12) shall include the following notice in any contract with a subcontractor expected to receive at least \$100,000 for performance under this Agreement:

“Notice Regarding Los Angeles Campaign Contribution and Fundraising Restrictions.

As provided in Charter Section 470(c)(12) and related ordinances, you are subcontractor on City of Los Angeles contract # \_\_\_\_\_. Pursuant to City Charter Section 470(c)(12), subcontractor and its principals are prohibited from making campaign contributions and fundraising for certain elected City officials or candidates for elected City office for 12 months after the City contract is signed. Subcontractor is required to provide to contractor names and addresses of the subcontractor’s principals and contact information and shall update that information if it changes during the twelve (12) month time period. Subcontractor’s information included must be provided to contractor within five (5) business days. Failure to comply may result in termination of contract or any other available legal remedies including fines. Information about the restrictions may be found at the City Ethics Commission’s website at <http://ethics.lacity.org/> or by calling 213-978-1960.”

16.47.2 DFO, subcontractors and their principals shall comply with these requirements and limitations. Violation of this provision shall entitle the City to terminate this Agreement and pursue any and all legal remedies that may be available.

[Signatures on next page]

IN WITNESS WHEREOF, City has caused this Agreement to be executed on its behalf by Executive Director and DFO has caused the same to be executed by its duly authorized officers, all as of the day and year first hereinabove written.

**APPROVED AS TO FORM:**

Carmen A. Trutanich, City Attorney

**CITY OF LOS ANGELES**

Date: 8/6/2012

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

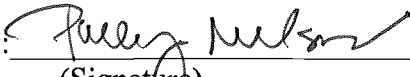
Executive Director

Department of Airports

By:  \_\_\_\_\_  
Deputy/Assistant City Attorney

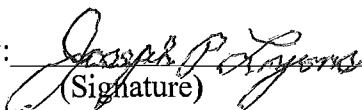
**DFO:**

DFS Group L.P., a Delaware limited partnership,

By:  \_\_\_\_\_  
(Signature)

Polly Nelson  
Managing Director - North America

Print Name and Title

By:  \_\_\_\_\_  
(Signature)

Joseph P. Lyons  
Vice President - Business Development - North America

Print Name and Title

**EXHIBIT A**

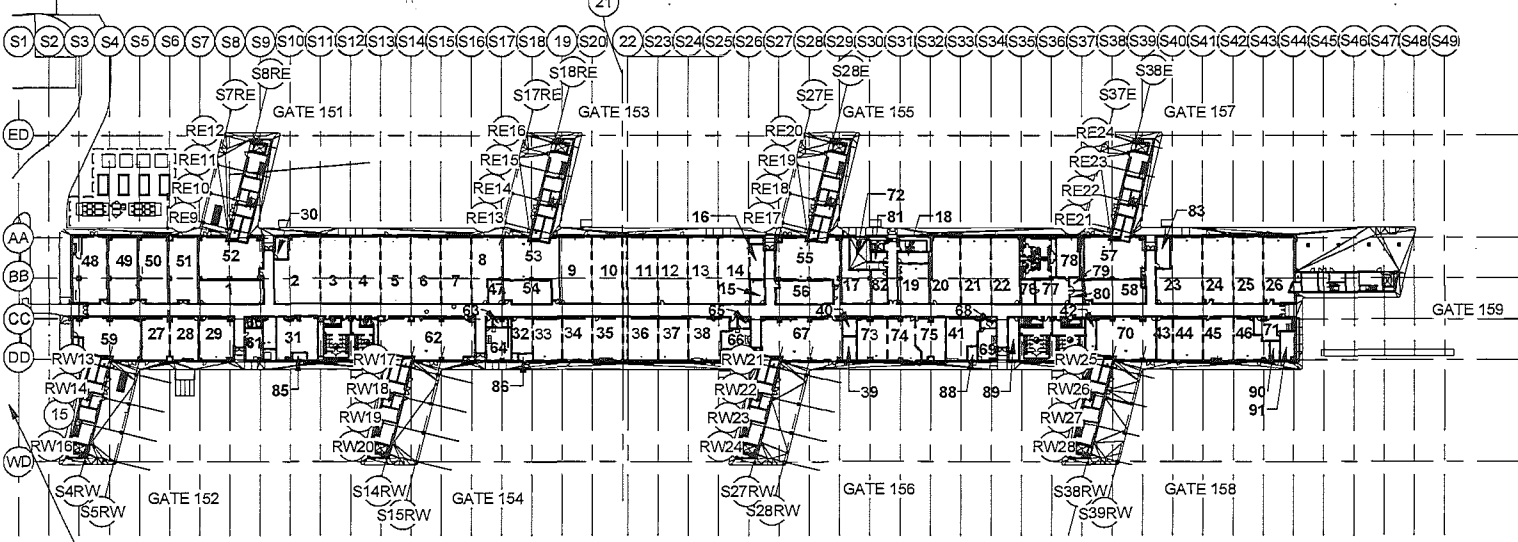
**PREMISES**

<b>Sales Spaces (Units)</b>			
<b>Terminal</b>	<b>Space ID</b>	<b>Approximate Square Footage</b>	<b>Plan Sheet No.</b>
TBIT	BW-01	14,005	MLE4CT
TBIT	BW-02	9,908	MLE4CT
TBIT	BW-06	300	MLE4NC
TBIT	BW-07	836	MLE4SC
1	T1-DF	1,000	20100001A Sheets 06 & 08 of 10
2	T2-DF1	3,600	20100002-80 Sheet 19 of 25
2	T2-DF2	1,200	20100002-80 Sheet 19 of 25
3	T3-DF	1,000	20100003 Sheet 09 of 11
4	T4J	908	20100004 Sheet 12 of 18
5	T5H	1,685	20100005 Sheet 12 of 17
6	T6-DF	1,000	20100006 Sheet 11 of 14
7	T7A	1,225	20100007 Sheet 12 of 16
8	T8H	975	20100008 Sheet 05 of 05
<b>Storage Spaces</b>			
TBIT	2, 3, 4 & 5	6,172	MLE3SC
TBIT	11	1,731	MLE4CT
<b>Office Spaces</b>			

**EXHIBIT A-1**

**EXHIBIT A-1**

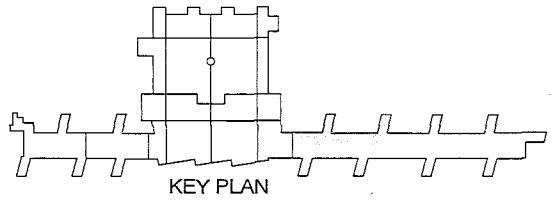
Space Number	Name	Area	Use	Space Number	Name	Area	Use	Space Number	Name	Area	Use	Space Number	Name	Area	Use
1	LS301	1106 SF		14	LS327	1462 SF		26	LS351	1437 SF		40	LS328	194 SF	Electrical Room
2	LS303	1934 SF		15	3S4-02	257 SF	Fire Riser Closet	27	LS302	849 SF		41	LS330	875 SF	Mechanical Rm
3	LS305	1414 SF		16	LS331	363 SF		28	LS304	855 SF		42	LS332	329 SF	Electrical Room
4	LS307	1412 SF		17	LS333	908 SF		29	LS306	1073 SF		43	LS334	497 SF	Mechanical Rm
5	LS309	1412 SF		18	LS335	263 SF	Concession Storage	30	3S2-06	227 SF	Fire Riser Closet	44	LS336	909 SF	Electrical Room
6	LS311	1412 SF		19	LS337	878 SF	Concession Storage	31	LS310	1182 SF		45	LS338	909 SF	Mechanical Rm
7	LS313	1414 SF		20	LS339	1389 SF		32	LS312	540 SF		46	LS340	858 SF	TWC (Tenant Comm)
8	LS315	1221 SF		21	LS341	1412 SF		33	LS314	877 SF	Fire Riser Closet	47	3S3-02	269 SF	Electrical Room
9	LS317	1526 SF		22	LS343	1345 SF		34	LS316	909 SF		48	3S1-02	1614 SF	Electrical Room
10	LS319	1412 SF		23	LS345	1862 SF		35	LS318	909 SF		49	3S1-03	1388 SF	Electrical Room
11	LS321	1421 SF		24	LS347	1412 SF		36	LS320	915 SF		50	3S1-04	1389 SF	Electrical Room
12	LS323	1412 SF		25	LS349	1412 SF		37	LS322	909 SF		51	3S2-02	1381 SF	Electrical Room
13	LS325	1412 SF						38	LS324	1058 SF		52	3S2-04	1856 SF	Mechanical Rm
								39	3S4-16	244 SF	Future Utility	53	3S3-03	1731 SF	Mechanical Rm



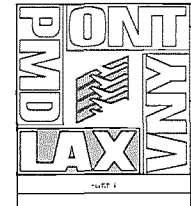
54	3S3-04	792 SF	Electrical Room
55	3S4-05	949 SF	Mechanical Rm
56	3S4-04	1898 SF	Electrical Room
57	3S5-11	1800 SF	Mechanical Rm
58	3S5-10	994 SF	Electrical Room
59	3S1-06	1885 SF	Mechanical Rm
60	3S2-16	86 SF	TWC (Tenant Comm)
61	3S2-16	408 SF	Comm Room
62	3S2-08	2823 SF	Mechanical Rm
63	3S3-07	111 SF	TWC (Tenant Comm)
64	3S3-07	591 SF	Comm Room
65	3S4-18	107 SF	TWC (Tenant Comm)
66	3S4-18	639 SF	Comm Room
67	3S4-17	2375 SF	Mechanical Rm
68	3S5-24	132 SF	TWC (Tenant Comm)
69	3S5-24	416 SF	Comm Room
70	3S5-16	1754 SF	Mechanical Rm
71	3S6-02	526 SF	Comm Room
72	3S4-08	565 SF	Trash Room
73	3S4-14	898 SF	Paint Shop
74	3S4-20	876 SF	Plumbing Shop
75	3S4-21	842 SF	Elec Shop
76	3S5-03	254 SF	Conf Room
77	3S5-04	616 SF	Open Office
78	3S5-07	664 SF	Breakroom
79	3S5-06	125 SF	Office
80	3S5-05	142 SF	Office
81	3S4-09	121 SF	ECR
82	3S4-07	376 SF	C&M Cleaning
83	3S5-13	322 SF	Fire Riser Closet
84	3S2-15	302 SF	Heat Exchange Room
85	3S2-14	77 SF	Condenser Room
86	3S3-09	77 SF	Condenser Room
88	3S5-26	104 SF	Condenser Room
89	LS342	341 SF	Tenant Storage
90	3S6-05	136 SF	Future Utility
91	3S6-03	289 SF	Apron Services Monitoring

RE:  
MLE3CT  
NORTH OF S1

- DFO Unit ID
- DFO Premises
- TCM Development Area
- DFO Storage / BOH Area



NOTE: ALL AREAS ARE BASED ON CURRENT ARCHITECTURAL DRAWINGS AS OF DATE OF PUBLICATION OF LEASE DOCUMENTS. FIELD VERIFICATION HAS NOT BEEN PERFORMED AND IS THE RESPONSIBILITY OF THE TENANT.



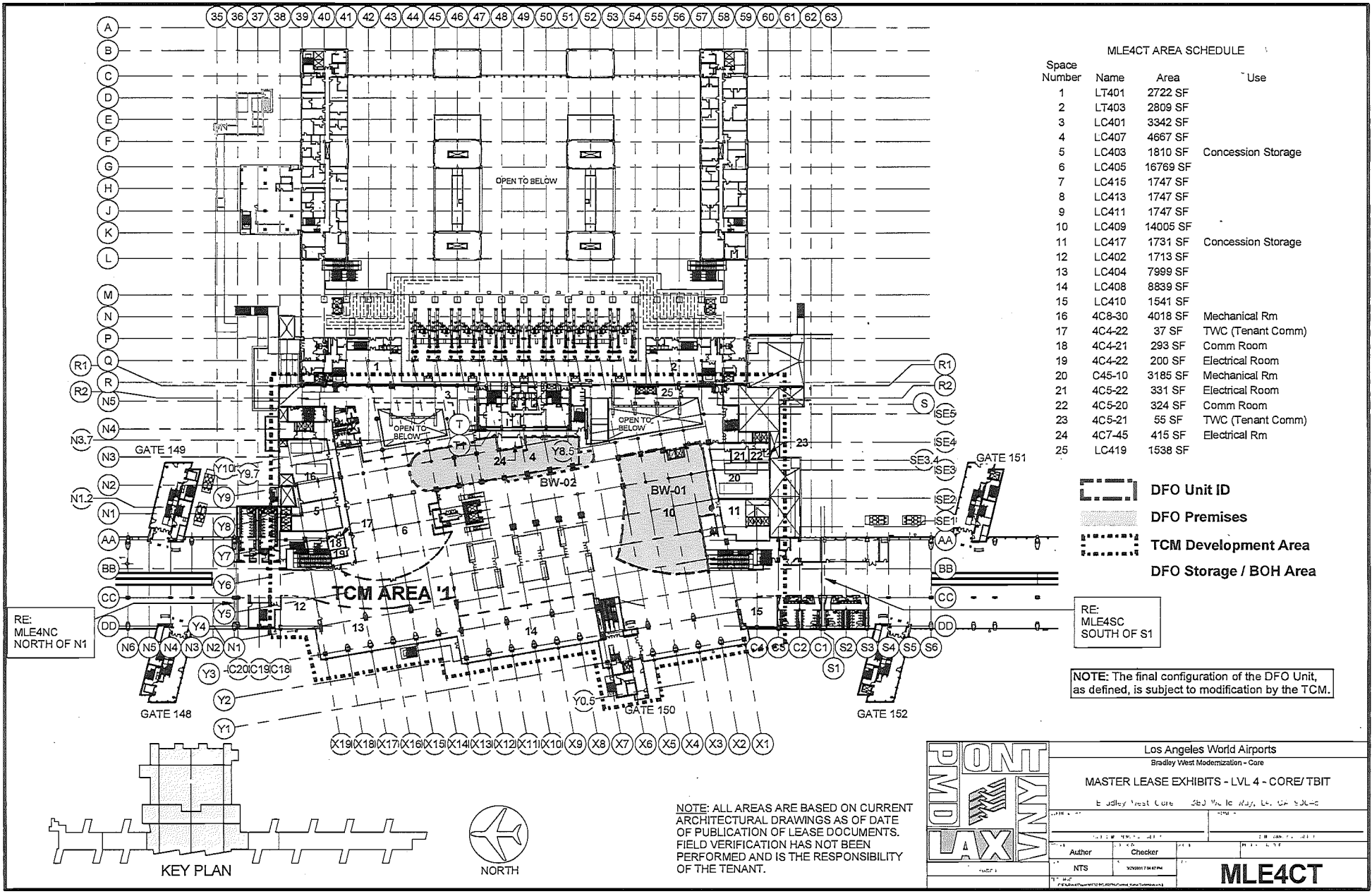
Los Angeles World Airports  
Bradley West Modernization - Core

**MASTER LEASE EXHIBITS - LVL 3 - SOUTH CONCOURSE**

Bradley West Core 263 West Main, L.A. CA 90045

Author	Checker
NTS	202501191404

MLE3SC



**MLE4CT AREA SCHEDULE**

Space Number	Name	Area	Use
1	LT401	2722 SF	
2	LT403	2809 SF	
3	LC401	3342 SF	
4	LC407	4667 SF	
5	LC403	1810 SF	Concession Storage
6	LC405	16769 SF	
7	LC415	1747 SF	
8	LC413	1747 SF	
9	LC411	1747 SF	
10	LC409	14005 SF	
11	LC417	1731 SF	Concession Storage
12	LC402	1713 SF	
13	LC404	7999 SF	
14	LC408	8839 SF	
15	LC410	1541 SF	
16	4C8-30	4018 SF	Mechanical Rm
17	4C4-22	37 SF	TVC (Tenant Comm)
18	4C4-21	293 SF	Comm Room
19	4C4-22	200 SF	Electrical Room
20	4C5-10	3185 SF	Mechanical Rm
21	4C5-22	331 SF	Electrical Room
22	4C5-20	324 SF	Comm Room
23	4C5-21	55 SF	TVC (Tenant Comm)
24	4C7-45	415 SF	Electrical Rm
25	LC419	1538 SF	

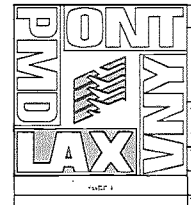
- DFO Unit ID
- DFO Premises
- TCM Development Area
- DFO Storage / BOH Area

RE:  
MLE4SC  
SOUTH OF S1

**NOTE:** The final configuration of the DFO Unit, as defined, is subject to modification by the TCM.

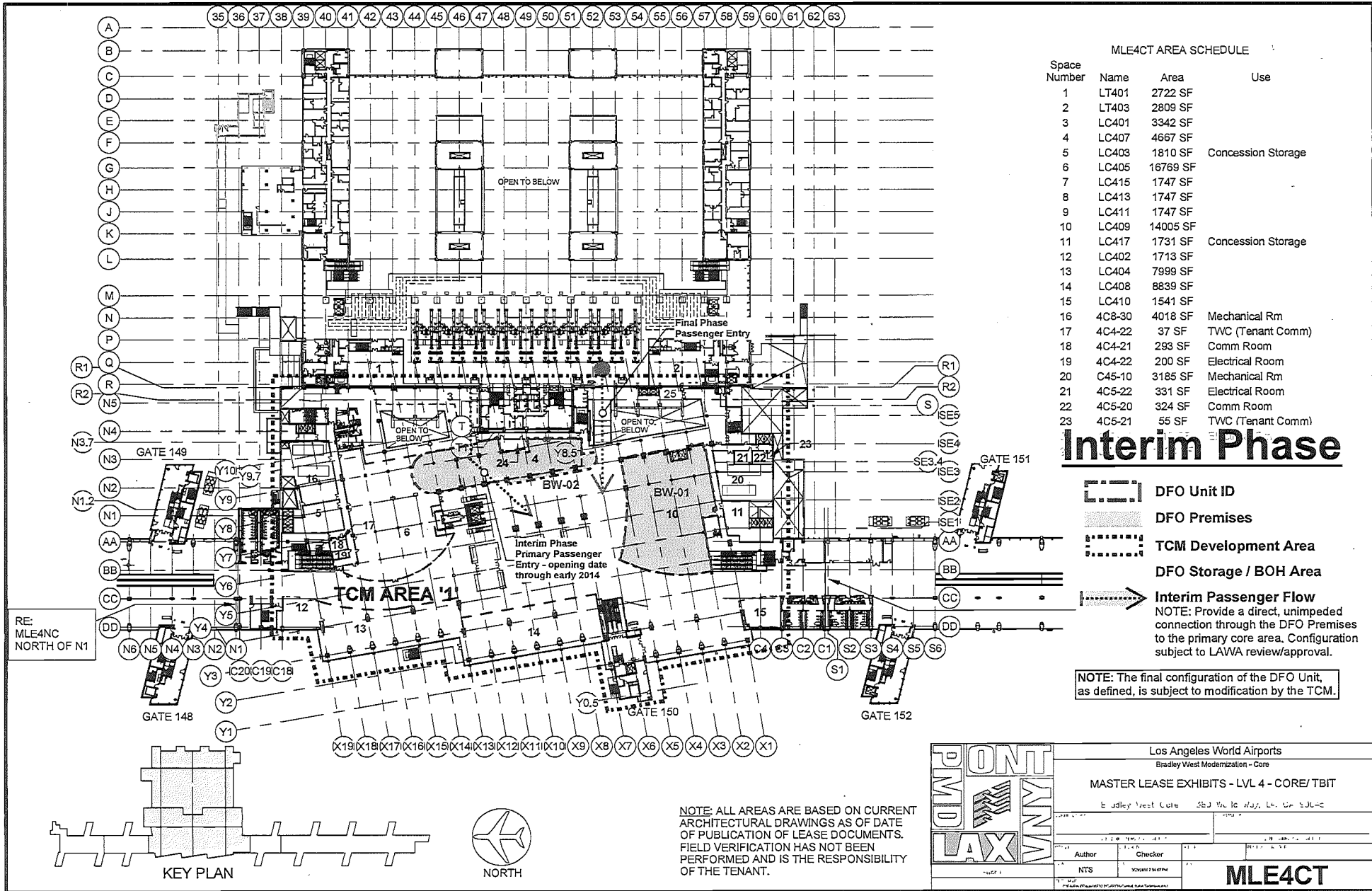
RE:  
MLE4NC  
NORTH OF N1

**NOTE:** ALL AREAS ARE BASED ON CURRENT ARCHITECTURAL DRAWINGS AS OF DATE OF PUBLICATION OF LEASE DOCUMENTS. FIELD VERIFICATION HAS NOT BEEN PERFORMED AND IS THE RESPONSIBILITY OF THE TENANT.



Los Angeles World Airports Bradley West Modernization - Core	
MASTER LEASE EXHIBITS - LVL 4 - CORE/TBIT	
Bradley West Core 263 W. La Brea, L.A. CA 90008	
Author	Checker
NTS	XXXXXXXXXXXX
<b>MLE4CT</b>	

EXHIBIT A-1



**MLE4CT AREA SCHEDULE**

Space Number	Name	Area	Use
1	LT401	2722 SF	
2	LT403	2809 SF	
3	LC401	3342 SF	
4	LC407	4667 SF	
5	LC403	1810 SF	Concession Storage
6	LC405	16769 SF	
7	LC415	1747 SF	
8	LC413	1747 SF	
9	LC411	1747 SF	
10	LC409	14005 SF	
11	LC417	1731 SF	Concession Storage
12	LC402	1713 SF	
13	LC404	7999 SF	
14	LC408	8839 SF	
15	LC410	1541 SF	
16	4C8-30	4018 SF	Mechanical Rm
17	4C4-22	37 SF	TWC (Tenant Comm)
18	4C4-21	293 SF	Comm Room
19	4C4-22	200 SF	Electrical Room
20	4C5-10	3185 SF	Mechanical Rm
21	4C5-22	331 SF	Electrical Room
22	4C5-20	324 SF	Comm Room
23	4C5-21	55 SF	TWC (Tenant Comm)

# Interim Phase

- DFO Unit ID
  - DFO Premises
  - TCM Development Area
  - DFO Storage / BOH Area
  - Interim Passenger Flow
- NOTE: Provide a direct, unimpeded connection through the DFO Premises to the primary core area. Configuration subject to LAWA review/approval.

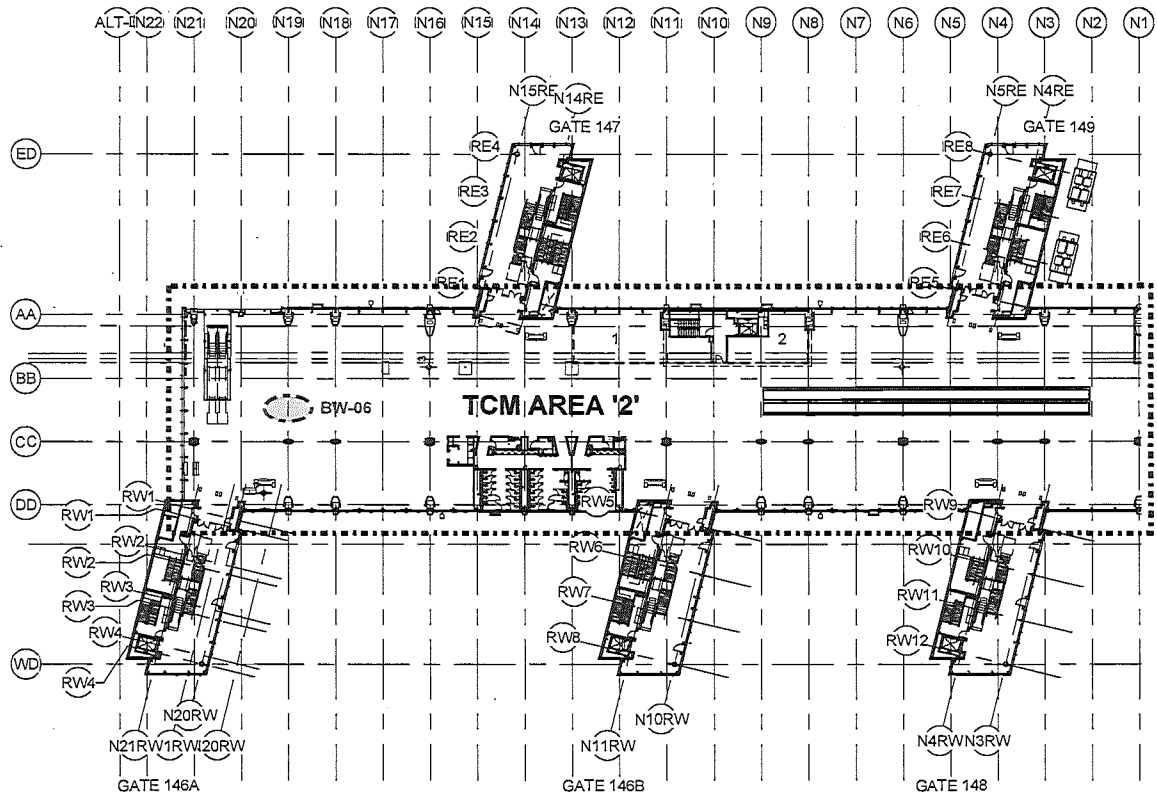
NOTE: The final configuration of the DFO Unit, as defined, is subject to modification by the TCM.

NOTE: ALL AREAS ARE BASED ON CURRENT ARCHITECTURAL DRAWINGS AS OF DATE OF PUBLICATION OF LEASE DOCUMENTS. FIELD VERIFICATION HAS NOT BEEN PERFORMED AND IS THE RESPONSIBILITY OF THE TENANT.

PMD  
ONT  
LAX  
MNY

Los Angeles World Airports  
 Bradley West Modernization - Core  
**MASTER LEASE EXHIBITS - LVL 4 - CORE/TBIT**  
 Bradley West Gate 36J West Wing, Lvl. 4 - CORE-2

Author NTS	Checker 30081131874
MLE4CT	







MLE4NC AREA SCHEDULE

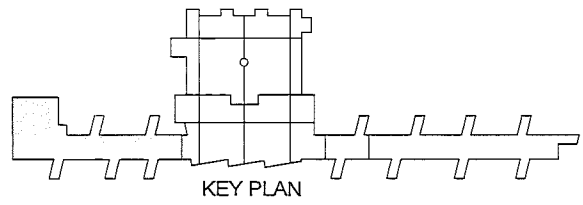
Space Number	Name	Area	Use
1	LN401	1711 SF	
2	LN405	894 SF	

NOTE:  
REFER TO LEVEL 5 MLE5NC FOR LOCATION OF MECHANICAL AND COMMUNICATION ROOMS FOR THIS AREA.

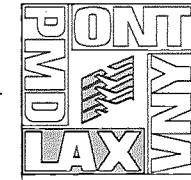
RE:  
MLE4CT  
SOUTH OF N1

-  DFO Unit ID
-  DFO Premises
-  TCM Development Area
-  DFO Storage / BOH Area

NOTE: The final configuration of the DFO Unit, as defined, is subject to modification by the TCM.



NOTE: ALL AREAS ARE BASED ON CURRENT ARCHITECTURAL DRAWINGS AS OF DATE OF PUBLICATION OF LEASE DOCUMENTS. FIELD VERIFICATION HAS NOT BEEN PERFORMED AND IS THE RESPONSIBILITY OF THE TENANT.

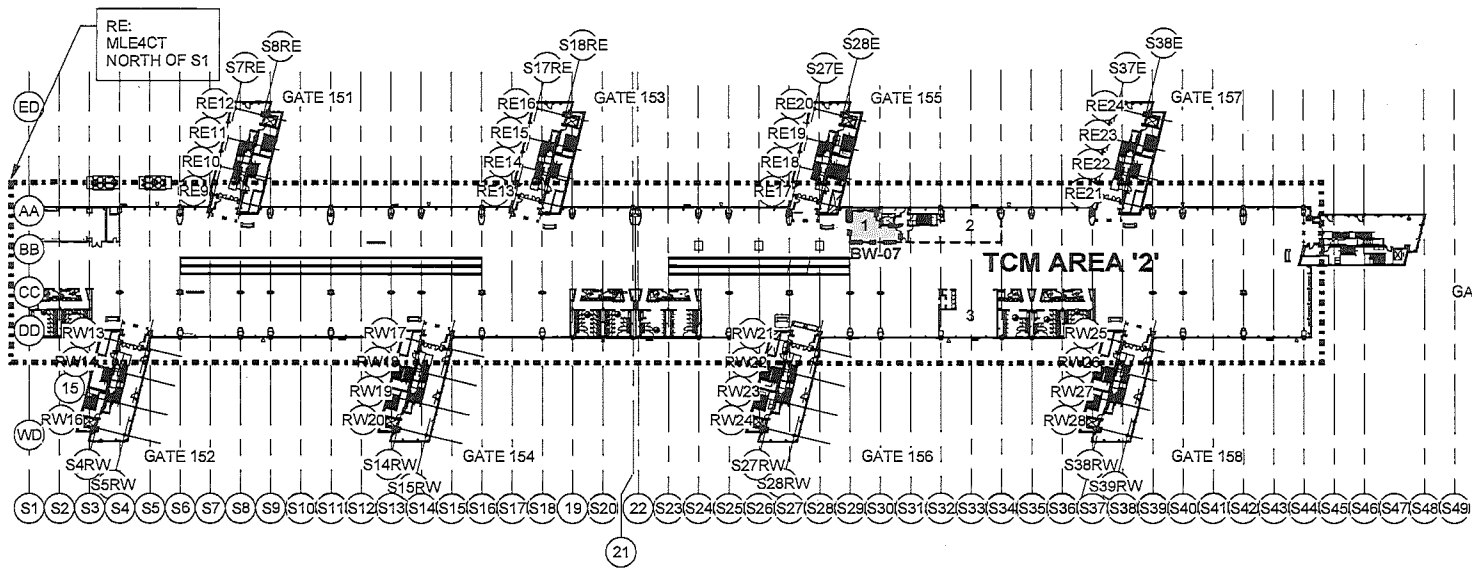


Los Angeles World Airports	
Bradley West Modernization - Core	
MASTER LEASE EXHIBITS - LVL 4 - NORTH CONCOURSE	
Bradley West Core 263 W. to Hwy. 101, CA 90042	
Author	Checker
NTS	9/20/17/24/25/26
<b>MLE4NC</b>	

MLE4SC AREA SCHEDULE

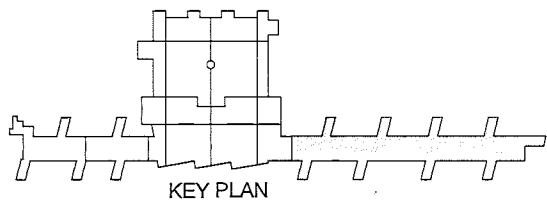
Space Number	Name	Area	Use
1	LS401	836 SF	
2	LS405	1772 SF	
3	LS402	1678 SF	

NOTE:  
REFER TO LEVEL 5 MLE5SC FOR LOCATION OF MECHANICAL  
AND COMMUNICATION ROOMS FOR THIS AREA.



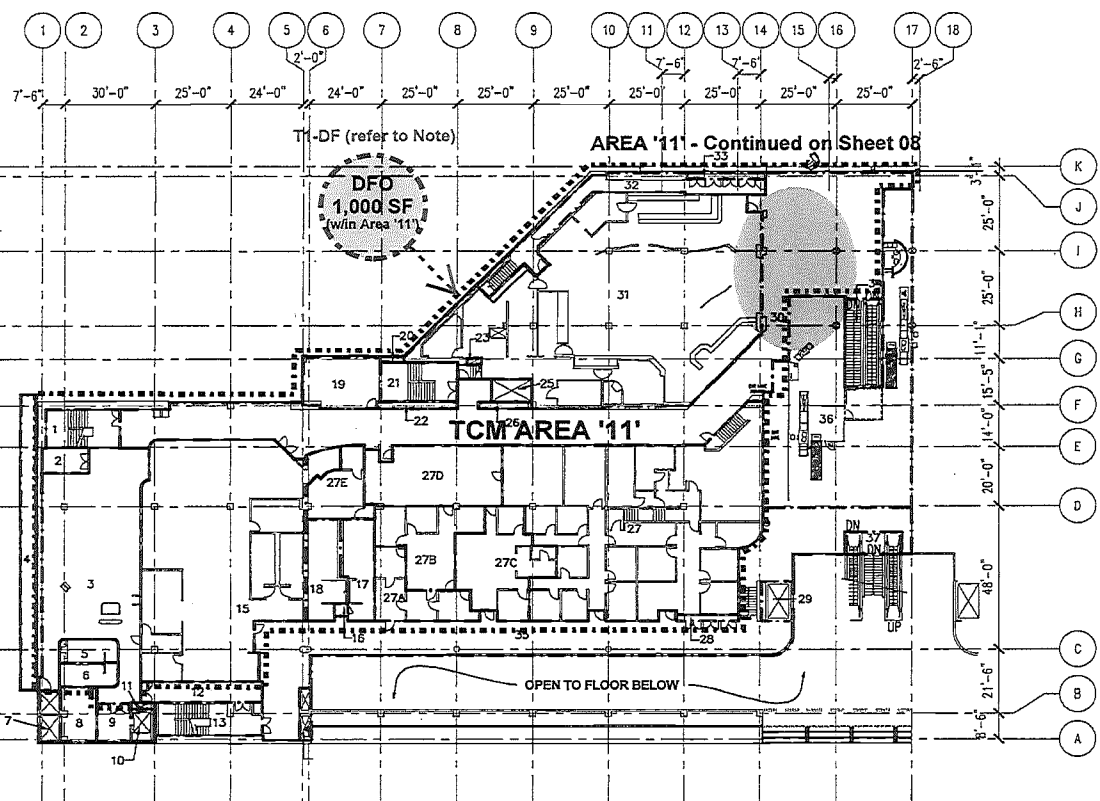
- DFO Unit ID
- DFO Premises
- TCM Development Area
- DFO Storage / BOH Area

NOTE: The final configuration of the DFO Unit, as defined, is subject to modification by the TCM.



NOTE: ALL AREAS ARE BASED ON CURRENT ARCHITECTURAL DRAWINGS AS OF DATE OF PUBLICATION OF LEASE DOCUMENTS. FIELD VERIFICATION HAS NOT BEEN PERFORMED AND IS THE RESPONSIBILITY OF THE TENANT.

	Los Angeles World Airports	
	Bradley West Modernization - Core	
	MASTER LEASE EXHIBITS - LVL 4 - SOUTH CONCOURSE	
	Bradley West Core 263 World Way, L.A. CA 90045	
Author	Checker	
NTS	SCHMIDT	
<b>MLE4SC</b>		



SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE
0001	Stairwell	LAWA - LAX	321	COVER	COVER
0002	Mechanical Duct	LAWA - LAX	132	COVER	COVER
0003	Holdroom	LAWA - LAX	2,323	COVER	COVER
0004	Gate Appendage	LAWA - LAX	459	COVER	COVER
0005	Restroom, Women	LAWA - LAX	156	COVER	COVER
0006	Restroom, Men	LAWA - LAX	156	COVER	COVER
0007	Mechanical Duct	LAWA - LAX	119	COVER	COVER
0008	Fire Control Room	LAWA - LAX	222	COVER	COVER
0009	Lobby	LAWA - LAX	144	COVER	COVER
0010	Elevator	LAWA - LAX	85	COVER	COVER
0011	Void	City of Los Angeles	18	COVER	COVER
0012	Corridor	LAWA - LAX	274	COVER	COVER
0013	Stairwell	LAWA - LAX	390	COVER	COVER
0014	Void	City of Los Angeles	65	COVER	COVER
0015	Lounge	US Airways Inc	4,127	COVER	COVER
0016	Jenitorial	LAWA - LAX	20	COVER	COVER
0017	Restroom, Men	LAWA - LAX	349	COVER	COVER
0018	Restroom, Women	LAWA - LAX	402	COVER	COVER
0019	Maintenance	LAWA - LAX	433	COVER	COVER
0020	Void	City of Los Angeles	14	COVER	COVER
0021	Stairwell	LAWA - LAX	336	COVER	COVER
0022	Void	City of Los Angeles	60	COVER	COVER
0023	Void	City of Los Angeles	9	COVER	COVER
0025	Elevator	LAWA - LAX	102	COVER	COVER
0026	Void	City of Los Angeles	36	COVER	COVER
0027	Office	US Airways Inc	4,565	COVER	COVER
0028	Telephone Closet	LAWA - LAX	43	COVER	COVER
0029	Elevator	LAWA - LAX	141	COVER	COVER
0030	Public Lobby	LAWA - LAX	4,949	COVER	COVER
0031	CONC, Food & Bev	LAWA - LAX	5,797	COVER	COVER
0032	Corridor	LAWA - LAX	633	COVER	COVER
0033	Electrical Closet	LAWA - LAX	52	COVER	COVER
0034	Escalator/Stairwell	LAWA - LAX	363	COVER	COVER
0035	Public Lobby	LAWA - LAX	3,422	COVER	COVER
0036	Pre-Board Security Check	LAWA - LAX	3,226	COVER	COVER
0037	Escalator/Stairwell	LAWA - LAX	141	COVER	COVER
027A	Office	Crews of California	487	COVER	COVER
027B	Office	LAWA - LAX	700	COVER	COVER
027C	Office	LAWA - LAX	851	COVER	COVER
027D	Breakroom	LAWA - LAX	301	COVER	COVER
027E	Office	LAWA - LAX	398	COVER	COVER
TOTAL		US Airways Inc	37,451		

- DFO Unit ID
- DFO Premises
- TCM Development Area
- Potential DFO Development Zone (identification of potential DFO premises area for Unit T1-DF)

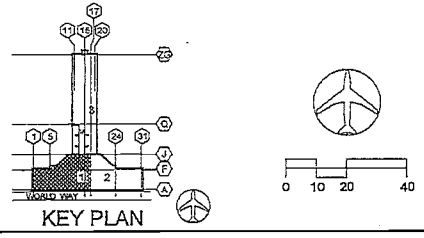
**Note (Unit T1-DF):**

1. The final configuration is subject to modification by the TCM; however the following conditions will apply:
  - a) Location of the Unit is limited to TCM Development Area '11' (Sheet 06 or 08 of 10).
  - b) The storefront will retain no less than 25 linear feet of frontage to the terminal public area and the store width to depth ratio will not exceed 1:1.6 based on the 1,000 SF premises area.

## MEZZANINE LEVEL FLOOR PLAN SECTOR 1 TERMINAL 1 - DEPARTURE

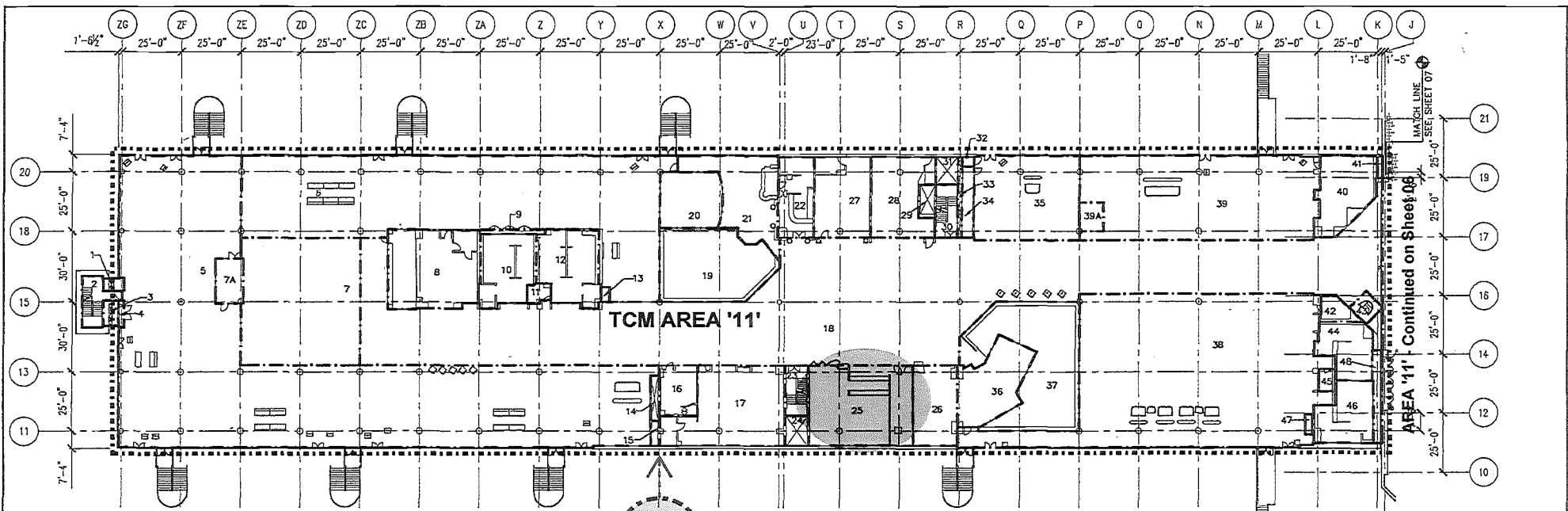
NOTES: 1. The areas noted above are to be considered planning data and were redrawn using the Lease Management Application from existing 20060011-80 drawing files, consultant's CAD files, available information and recalculated using the new LAWA modified BOMA standards. Comments, revisions, verifications and approvals from Property and Concessions Divisions through XXX 01, 2010 have been incorporated.

2. Dimensions, geometry and usage have been field verified but may not reflect the current conditions. This data should be field verified prior to use.



SUPERSEDES DWG. NO. 20060011-80		Los Angeles World Airports MASTER LEASE EXHIBIT	
<b>ONT</b> <b>PMD</b> <b>LAX</b>		<b>TERMINAL 1</b>	
LOS ANGELES INTERNATIONAL AIRPORT		LOS ANGELES INTERNATIONAL AIRPORT	
SUBMITTED BY		APPROVED BY	
ASST. CHIEF AIRPORTS ENGINEER		CHIEF AIRPORTS ENGINEER	
DRAWN NWG	CHECKED NWG/P. BURNS	SHEET 06	PLAN SET NUMBER 06 OF 10
SCALE 1" = 40'		DATE 12-XX-2010	DWG. NO. 20100001A
FILE NAME 20100001A-06-R00			

20100001A-06.dwg 12/17/2010



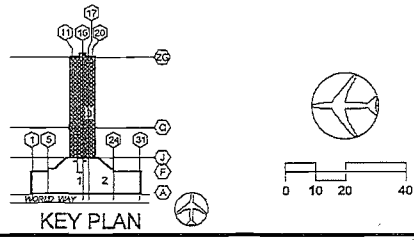
SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE	SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE	SPACE	DESCRIPTION
0001	Mechanical	LAWA - LAX	47	COVR	COVR	0018	Public Corridor	LAWA - LAX	13,816	COVR	COVR	0035	Holdroom
0002	Stairwell	LAWA - LAX	224	COVR	COVR	0019	Landscaping	LAWA - LAX	1,334	COVR	COVR	0036	CONC, Food & Bev
0003	Mechanical	LAWA - LAX	69	COVR	COVR	0020	CONC, Food & Bev	Comacho's Incorporated	603	COVR	COVR	0037	Landscaping
0004	Telephone Equipment Room	LAWA - LAX	26	COVR	COVR	0021	CONC, Food & Bev	LAWA - LAX	974	COVR	COVR	0038	Holdroom
0005	Holdroom	LAWA - LAX	12,064	COVR	COVR	0022	CONC, Food & Bev	Comacho's Incorporated	510	COVR	COVR	0039	Holdroom
0006	Holdroom	LAWA - LAX	5,476	COVR	COVR	0023	Stairwell	LAWA - LAX	208	COVR	COVR	0040	Lockers
0007	Holdroom	LAWA - LAX	2,695	COVR	COVR	0024	Mechanical	LAWA - LAX	122	COVR	COVR	0041	Void
0008	CONC, Food & Bev	LAWA - LAX	1,274	COVR	COVR	0025	CONC, Food & Bev	McDonald's Corporation	1,483	COVR	COVR	0042	Nursery
0009	Telephone Room	LAWA - LAX	54	COVR	COVR	0026	CONC, Food & Bev	LAWA - LAX	628	COVR	COVR	0043	CONC, Ret Merch
0010	Restroom, Men	LAWA - LAX	675	COVR	COVR	0027	CONC, Ret Merch	LAWA - LAX	808	COVR	COVR	0044	Restroom, Men
0011	Janitorial	LAWA - LAX	76	COVR	COVR	0028	CONC, Ret Merch	LAWA - LAX	823	COVR	COVR	0045	Janitorial
0012	Restroom, Women	LAWA - LAX	779	COVR	COVR	0029	Mechanical Duct	LAWA - LAX	97	COVR	COVR	0046	Restroom, Women
0013	Lockers	LAWA - LAX	23	COVR	COVR	0030	Stairwell	LAWA - LAX	211	COVR	COVR	0047	Lockers
0014	Mechanical	LAWA - LAX	71	COVR	COVR	0031	Mechanical Duct	LAWA - LAX	110	COVR	COVR	0048	Void
0015	Void	City of Los Angeles	39	COVR	COVR	0032	Fire Control Room	LAWA - LAX	20	COVR	COVR	007A	CONC, Gifts & News
0016	CONC, Ret Merch	LAWA - LAX	340	COVR	COVR	0033	Void	City of Los Angeles	57	COVR	COVR	039A	Ticketing Kiosk
0017	CONC, Ret Merch	LAWA - LAX	1,439	COVR	COVR	0034	Telephone Equipment Room	LAWA - LAX	149	COVR	COVR		



**Note (Unit T1-DF):**  
 1. The final configuration is subject to modification by the TCM; however the following conditions will apply:  
 a) Location of the Unit is limited to TCM Development Area '11' (Sheet 06 or 08 of 10).  
 b) The storefront will retain no less than 25 lineal feet of frontage to the terminal public area and the store width to depth ratio will not exceed 1:1.6 based on the 1,000 SF premises area.

## MEZZANINE LEVEL FLOOR PLAN SECTOR 3 TERMINAL 1 - CONCOURSE

NOTES: 1. The areas noted above are to be considered planning data and were redrawn using the Leaseline Management Application from existing 20060011-80 drawing files, consultant's CAD files, available information and recalculated using the new LAWA modified BOMA standards. Comments, revisions, verifications and approvals from Property and Concessions Divisions through XXX 01, 2010 have been incorporated.  
 2. Dimensions, geometry and usage have been field verified but may not reflect the current conditions. This data should be field verified prior to use.



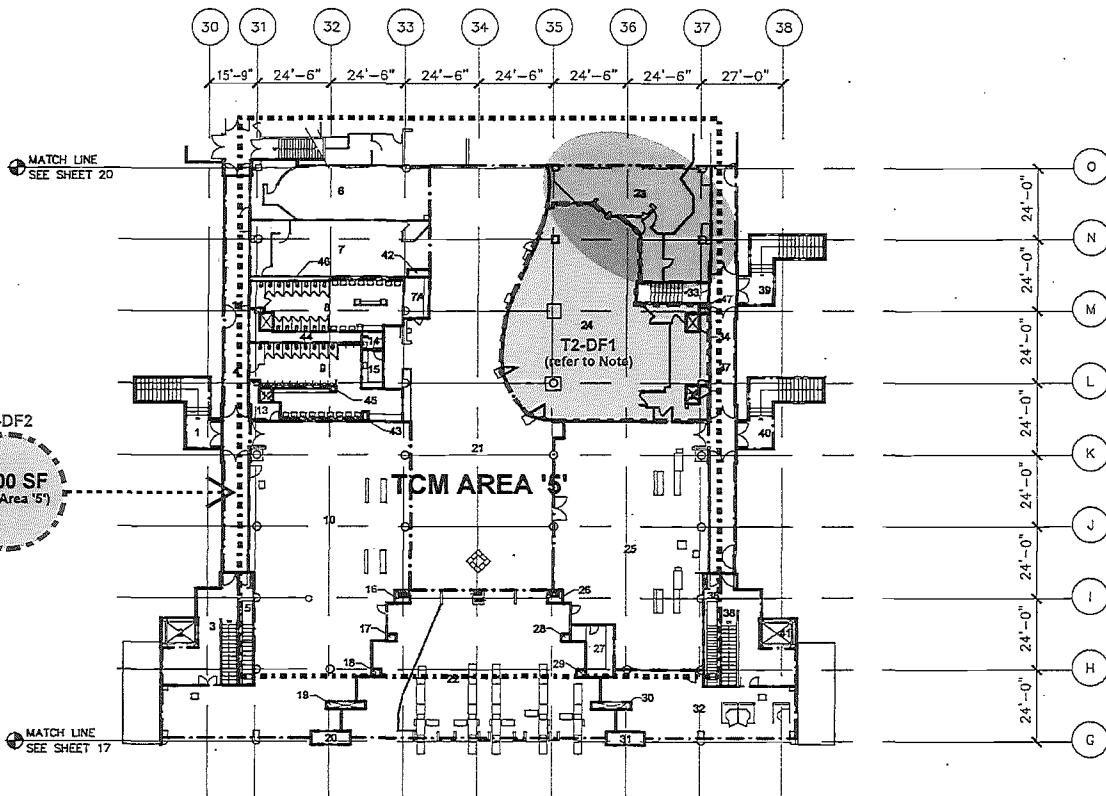
SUPERSEDES DWG. NO. 20060011-80

Los Angeles World Airports  
 MASTER LEASE EXHIBIT  
**TERMINAL 1**  
 LOS ANGELES INTERNATIONAL AIRPORT

SUBMITTED BY: ASST. CHIEF AIRPORTS ENGINEER  
 APPROVED BY: CHIEF AIRPORTS ENGINEER

DRAWN: NWG  
 CHECKED: AM/P. BURNS  
 SHEET: 08  
 PLAN SET NUMBER: 08 OF 10

SCALE: 1" = 40'  
 DATE: 12-XX-2010  
 DWG. NO.: 20100001A  
 FILE NAME: 20100001A-08-R00



ROOM	DESCRIPTION	COMPANY	AREA	TYPE	USE
0001	Stair	LAWA - LAX	359	COVER	COVER
0002	Elevator	LAWA - LAX	121	COVER	COVER
0003	Stair	LAWA - LAX	828	COVER	COVER
0004	Corridor	LAWA - LAX	1,118	COVER	COVER
0005	Escalator	LAWA - LAX	189	COVER	COVER
0006	Concessionaire	LAWA - LAX	1,128	COVER	COVER
0007	Concessionaire	Airport Management Services LLC	1,111	COVER	COVER
0008	Restroom, Women	LAWA - LAX	815	COVER	COVER
0009	Restroom, Men	LAWA - LAX	850	COVER	COVER
0010	Holdroom	City of Los Angeles	5,383	COVER	COVER
0011	Mechanical	LAWA - LAX	27	COVER	COVER
0012	Mechanical	LAWA - LAX	21	COVER	COVER
0013	Custodial	LAWA - LAX	86	COVER	COVER
0014	Restroom	LAWA - LAX	42	COVER	COVER
0015	Nursery	LAWA - LAX	33	COVER	COVER
0016	Mechanical	LAWA - LAX	14	COVER	COVER
0017	Mechanical	LAWA - LAX	8	COVER	COVER
0018	Mechanical	LAWA - LAX	8	COVER	COVER
0019	Mechanical	LAWA - LAX	32	COVER	COVER
0020	Mechanical	LAWA - LAX	57	COVER	COVER
0021	Public Corridor	LAWA - LAX	5,787	COVER	COVER
0022	Pre-Board Security Check	LAWA - LAX	3,516	COVER	COVER
0023	Concessionaire	Airport Management Services LLC	1,375	COVER	COVER
0024	Concessionaire	LAWA - LAX	3,665	COVER	COVER
0025	Holdroom	LAXTWO Corp	3,856	COVER	COVER
0026	Mechanical	LAWA - LAX	14	COVER	COVER
0027	Concessionaire	LAWA - LAX	193	COVER	COVER
0028	Mechanical	LAWA - LAX	8	COVER	COVER
0029	Mechanical	LAWA - LAX	8	COVER	COVER
0030	Mechanical	LAWA - LAX	32	COVER	COVER
0031	Mechanical	LAWA - LAX	54	COVER	COVER
0032	Intransit Lounge	LAXTWO Corp	1,206	COVER	COVER
0033	Stair	LAWA - LAX	172	COVER	COVER
0034	Mechanical	LAWA - LAX	27	COVER	COVER
0035	Mechanical	LAWA - LAX	27	COVER	COVER
0036	Mechanical	LAWA - LAX	214	COVER	COVER
0037	Corridor	LAWA - LAX	1,167	COVER	COVER
0038	Stair	LAWA - LAX	936	COVER	COVER
0039	Stair	LAWA - LAX	359	COVER	COVER
0040	Stair	LAWA - LAX	381	COVER	COVER
0041	Elevator	LAWA - LAX	117	COVER	COVER
0042	Void	City of Los Angeles	19	None	None
0043	Void	LAWA - LAX	31	None	None
0044	Void	LAWA - LAX	167	None	None
0045	Void	LAWA - LAX	25	None	None
0046	Void	LAWA - LAX	53	None	None
0047	Void	N/A	11	COVER	N/A
007A	Currency Services	LAWA - LAX	120	COVER	COVER
<b>TOTAL</b>			<b>35,387</b>		

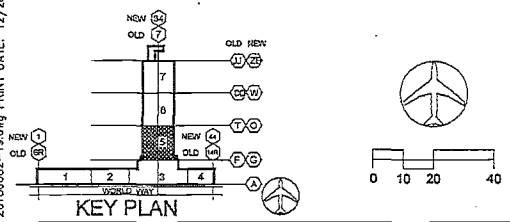
- DFO Unit ID
- DFO Premises
- TCM Development Area
- Potential DFO Development Zone (identification of potential DFO premises area for Unit T2-DF1)

**Note (Unit T2-DF1):**

1. The final configuration is subject to modification by the TCM; however the following conditions will apply:
  - a) A contiguous area of no less than 3,600 SF for will remain in the location and general configuration, as illustrated. Interim DFO operations and/or redevelopment of the premises will be phased in coordination with the TCM redevelopment schedule.
  - b) The additional premises area of approximately 1,200 SF, identified as Unit T2-DF-2, may be combined with or separately demised from Unit T2-DF-1 as proposed by DFO and in coordination with the TCM.

## THIRD LEVEL DEPARTURE SECTOR 5 TERMINAL 2 - CONCOURSE

NOTES: 1. The areas noted above are to be considered planning data and were redrawn using the Lease Management Application from existing 20050012-80 drawing files, consultant's CAD files, available information and recalculated using the new LAWA modified BOMA standards. Comments, revisions, verifications and approvals from Property and Concessions Divisions through XXX 01, 2010 have been incorporated.  
2. Dimensions, geometry and usage have been field verified but may not reflect the current conditions. This data should be field verified prior to use.

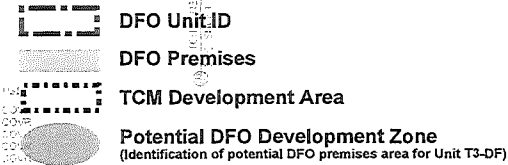
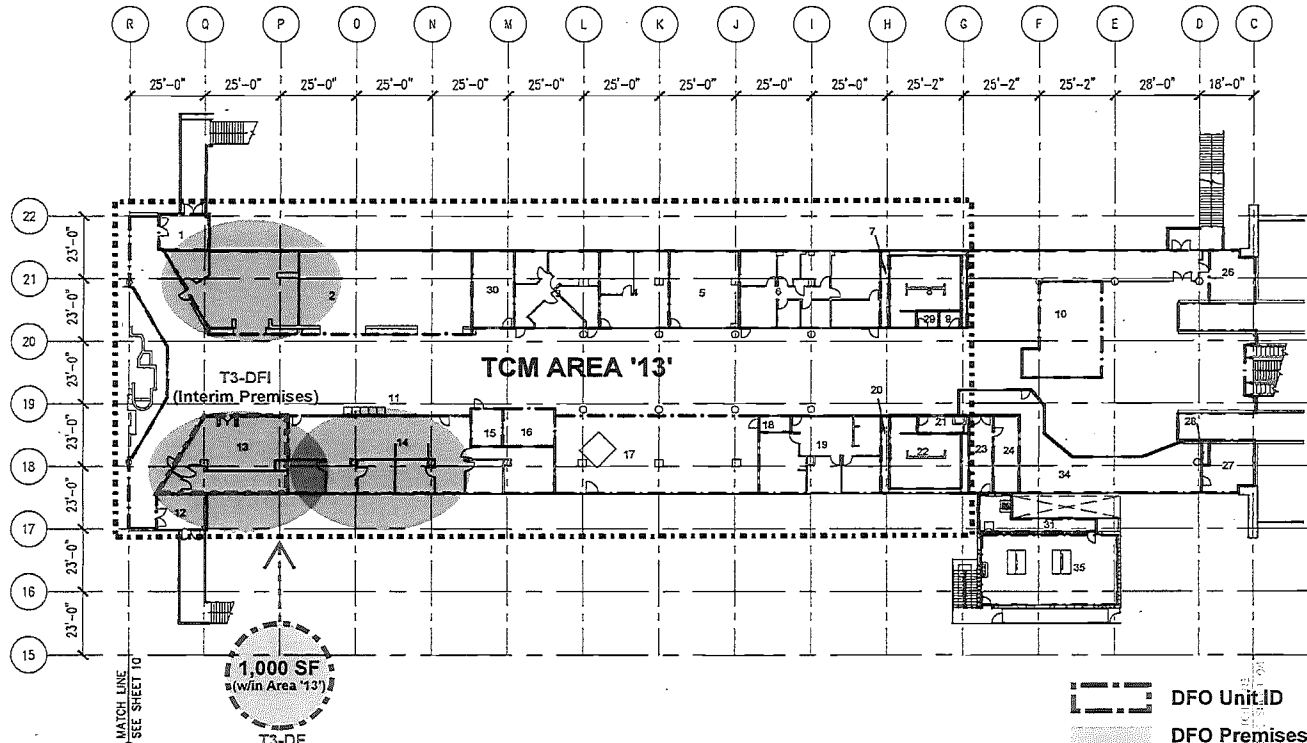


SUPERSEDES DWG. NO. 20050021-80-19

Los Angeles World Airports  
MASTER LEASE EXHIBIT  
**TERMINAL 2**  
LOS ANGELES INTERNATIONAL AIRPORT

SUBMITTED BY		APPROVED BY	
ASST. CHIEF AIRPORTS ENGINEER		CHIEF AIRPORTS ENGINEER	
DRAWN RFF/NWG	CHECKED AM/P.BURNS	SHEET 19	PLAN SET NUMBER 19 of 25
SCALE AS NOTED	DATE 10-14-10	DWG NO. <b>20100002-80</b>	
GRID LOCATIONS TO		FILE NAME 20100002-19-R00	

20100002-19.dwg PRINT DATE: 12/28/2010

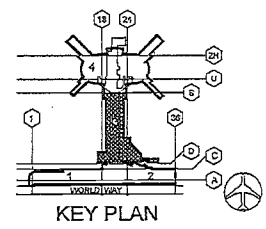


SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE	SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE
0001	Corridor	LAWA - LAX	200	COVR	COVR	0017	Heldroom	LAWA - LAX	1,741	COVR
0002	CONC, Gifts & News	Airport Management Services LLC	2,618	COVR	COVR	0018	Electrical	Alaska Airlines Inc	59	COVR
0003	Money Exchange	City of Los Angeles	726	COVR	COVR	0019	Office	Alaska Airlines Inc	888	COVR
0004	Money Exchange	City of Los Angeles	565	COVR	COVR	0020	Void	City of Los Angeles	159	COVR
0005	Office	Alaska Airlines Inc	595	COVR	COVR	0021	Custodial	City of Los Angeles	103	COVR
0006	CONC.	City of Los Angeles	1,206	COVR	COVR	0022	Restroom, Women	LAWA - LAX	491	COVR
0007	Void	City of Los Angeles	162	COVR	COVR	0023	Office	U S General Services	207	COVR
0008	Restroom, Men	LAWA - LAX	498	COVR	COVR	0024	IT	City of Los Angeles	223	COVR
0009	Security	City of Los Angeles	41	COVR	COVR	0025	Office/Breakroom	U S General Services	257	COVR
0010	Pre-Board Security Check	LAWA - LAX	728	COVR	COVR	0027	Office/Breakroom	U S General Services	273	COVR
0011	Public Corridor	LAWA - LAX	12,903	COVR	COVR	0028	Void	N/A	22	COVR
0012	IT	LAWA - LAX	201	COVR	COVR	0029	Janitorial	N/A	42	COVR
0013	CONC, Duty Free	DFS Group LP	919	COVR	COVR	0030	Storage	N/A	361	COVR
0014	Office	Alaska Airlines Inc	1,998	COVR	COVR	0031	Corridor	N/A	253	COVR
0015	CONC.	City of Los Angeles	132	COVR	COVR	0034	Security	N/A	1,179	COVR
0016	CONC.	Jeva Jeva Inc	217	COVR	COVR	0035	Baggage Area	N/A	1,044	COVR
			TOTAL						31,139	

**Note (Unit T3-DF):**  
 1. The final configuration is subject to modification by the TCM; however the following conditions will apply:  
 a) Location of the Unit is limited to TCM Development Area '13' (Sheet 09 of 11).  
 b) The storefront will retain no less than 25 lineal feet of frontage to the terminal public area and the store width to depth ratio will not exceed 1:1.6 based on the 1,000 SF premises area.

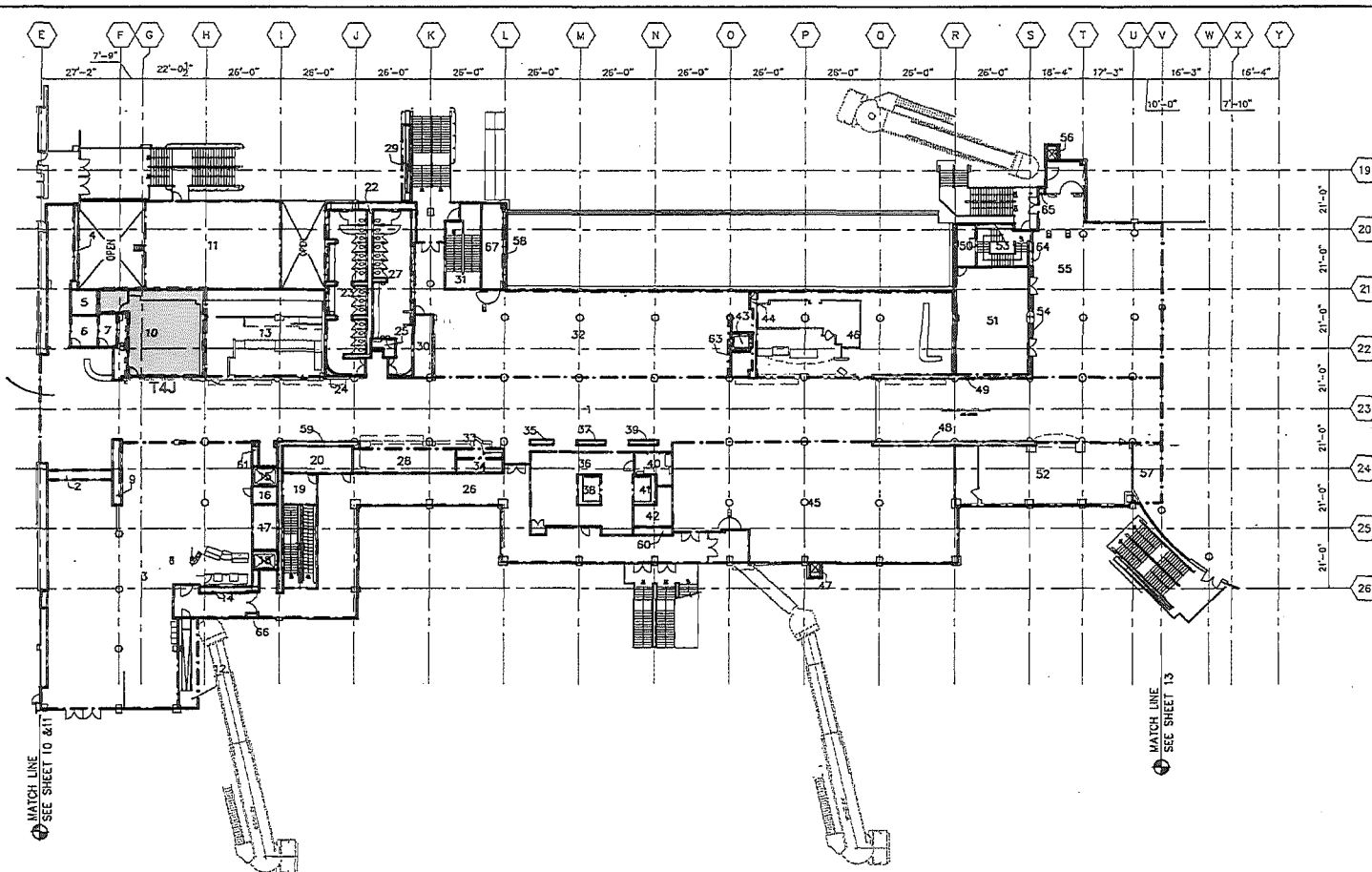
## MEZZANINE LEVEL FLOOR PLAN SECTOR 3 TERMINAL 3 - CONNECTOR

NOTES: 1. The areas noted above are to be considered planning data and were redrawn using the Laasline Management Application from existing 20060013-80 drawing files, consultant's CAD files, available information and recalculated using the new LAWA modified BOMA standards. Comments, revisions, verifications and approvals from Property and Concessions Divisions through XXX 01, 2010 have been incorporated.  
 2. Dimensions, geometry and usage have been field verified but may not reflect the current conditions. This data should be field verified prior to use.

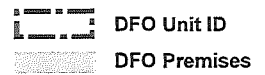


		Los Angeles World Airports MASTER LEASE EXHIBIT <b>TERMINAL 3</b> LOS ANGELES INTERNATIONAL AIRPORT	
SUBMITTED BY		APPROVED BY	
ASST. CHIEF AIRPORTS ENGINEER		CHIEF AIRPORTS ENGINEER	
DRAWN NWG	CHECKED AM/P. BURNS	SHEET 09	PLAN SET NUMBER 09 OF 11
SCALE 1" = 40'		DATE 12-XX-2010	DWG NO. 20100003
GRID LOCATIONS TO		FILE NAME 20100003-09-R00	

20100003-09.dwg 12/15/2010

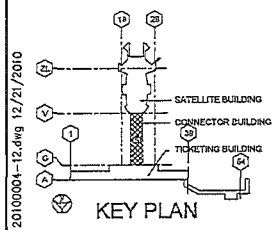


SPACE	DESCRIPTION	AREA	TYPE	USE
0001	Corridor	10,210	CDMR	N/A
0002	Void	75	CDMR	N/A
0003	Hallroom	5,185	CDMR	N/A
0004	Void	48	CDMR	N/A
0005	Office	85	CDMR	N/A
0006	Office	108	CDMR	N/A
0007	Electrical	78	CDMR	N/A
0008	Void	102	CDMR	N/A
0009	Void	73	CDMR	N/A
0010	CDMC	225	CDMR	N/A
0011	Office	1,470	CDMR	N/A
0012	Void	823	CDMR	N/A
0013	CDMC, Food & Bev	1,274	CDMR	N/A
0014	Void	59	CDMR	N/A
0015	Elevator	60	CDMR	N/A
0016	Electrical	59	CDMR	N/A
0017	Void	142	CDMR	N/A
0018	Elevator	59	CDMR	N/A
0019	Unknown	135	CDMR	N/A
0020	Stairwell	232	CDMR	N/A
0021	Escalator/Stairwell	352	CDMR	N/A
0022	Void	377	CDMR	N/A
0023	Restroom, Women	754	CDMR	N/A
0024	Void	15	CDMR	N/A
0025	Casualty	43	CDMR	N/A
0026	Corridor	2,973	CDMR	N/A
0027	Restroom, Men	700	CDMR	N/A
0028	CDMC	302	CDMR	N/A
0029	Conveyor	81	CDMR	N/A
0030	Electrical	140	CDMR	N/A
0031	Stairwell	351	CDMR	N/A
0032	Hallroom	3,532	CDMR	N/A
0033	CDMC	1	CDMR	N/A
0034	CDMC	83	CDMR	N/A
0035	Void	14	CDMR	N/A
0036	Lobby	890	CDMR	N/A
0037	Void	16	CDMR	N/A
0038	Elevator	85	CDMR	N/A
0039	Void	17	CDMR	N/A
0040	Mechanical Room	124	CDMR	N/A
0041	Elevator	85	CDMR	N/A
0042	Stairwell	141	CDMR	N/A
0043	Currency Services	44	CDMR	N/A
0044	Void	51	CDMR	N/A
0045	Hallroom	3,819	CDMR	N/A
0046	CDMC	2,025	CDMR	N/A
0047	Dumbwaiter	19	CDMR	N/A
0048	Void	81	CDMR	N/A
0049	Void	131	CDMR	N/A
0050	Electric Transformer & Tr	860	CDMR	N/A
0051	Hallroom	559	CDMR	N/A
0052	CDMC	1,371	CDMR	N/A
0053	Stairwell	282	CDMR	N/A
0054	Void	18	CDMR	N/A
0055	Hallroom	2,787	CDMR	N/A
0056	Dumbwaiter	20	CDMR	N/A
0057	Hallroom	229	CDMR	N/A
0058	Void	138	CDMR	N/A
0059	Void	40	CDMR	N/A
0060	Void	20	CDMR	N/A
0061	Void	18	CDMR	N/A
0062	Void	17	CDMR	N/A
0063	Void	5	CDMR	N/A
0064	Void	8	CDMR	N/A
0065	Void	23	CDMR	N/A
0066	Void	8	CDMR	N/A
0067	Unknown	44819	CDMR	N/A
TOTAL		44819		



## PUBLIC LEVEL FLOOR PLAN CONNECTOR BUILDING-SECTOR 5 TERMINAL 4

NOTES: 1. The areas noted above are to be considered planning data and were redrawn using the Leasehold Management Application from existing 20050014-80 drawing files, consultant's CAD files, available information and recalculated using the new LAWA modified BOMA standards. Comments, revisions, verifications and approvals from Property and Concessions Divisions through XXX 01, 2010 have been incorporated.  
2. Dimensions, geometry and usage have been field verified but may not reflect the current conditions. This data should be field verified prior to use.



SUPERSEDES DWG. NO. 20050014-80

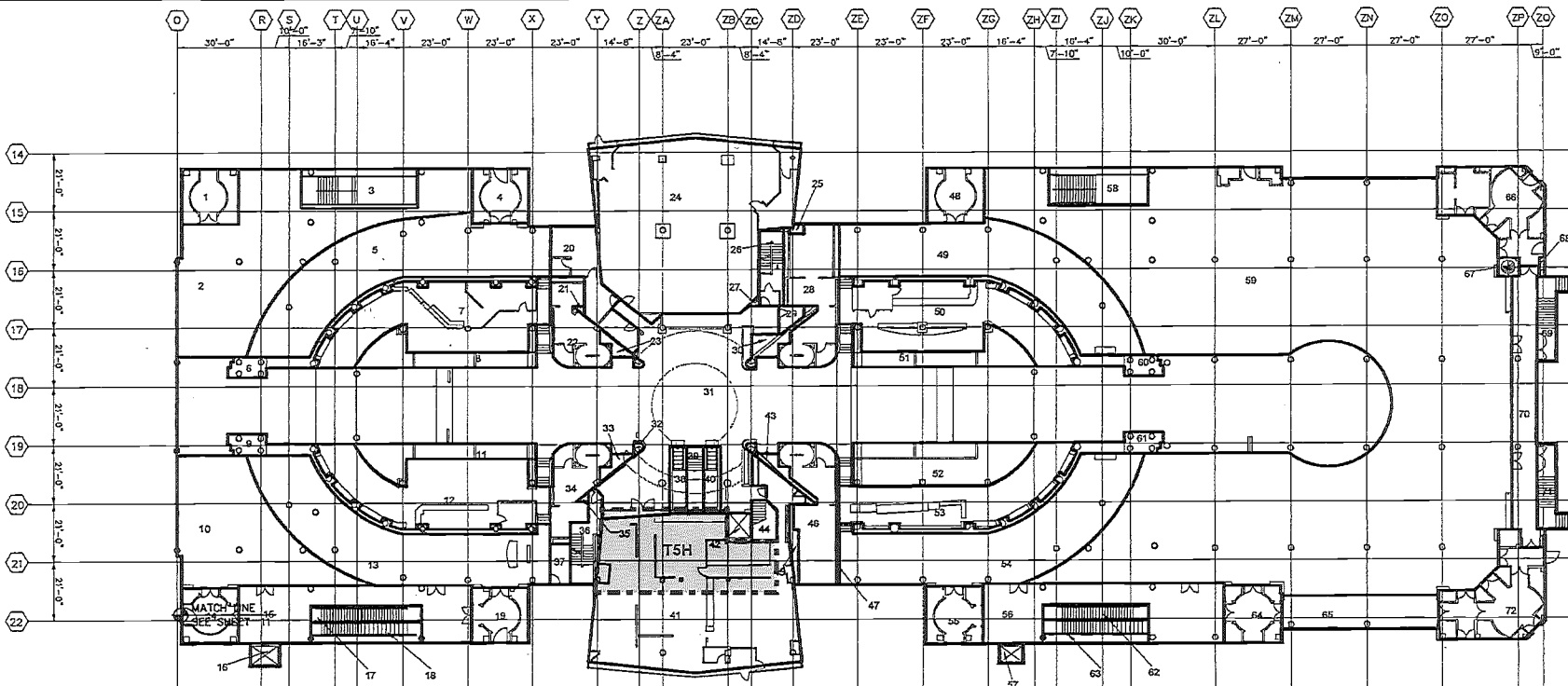
*Los Angeles World Airports*

MASTER LEASE EXHIBIT

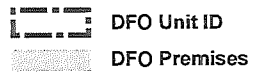
# TERMINAL 4

LOS ANGELES INTERNATIONAL AIRPORT

SUBMITTED BY		APPROVED BY	
ASST. CHIEF AIRPORTS ENGINEER		CHIEF AIRPORTS ENGINEER	
DRAWN	CHECKED	SHEET	PLAN SET NUMBER
NWG	AM/P. BURNS	12	12 OF 18
SCALE		DATE	DWG. NO.
1" = 40'		12-XX-2010	20100004
GRID LOCATIONS		FILE NAME	
TO		20100004-12-R00	

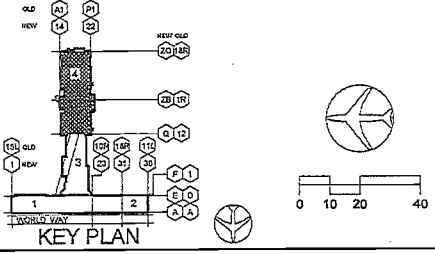


SPACE DESCRIPTION	AREA	TYPE	USE	SPACE DESCRIPTION	AREA	TYPE	USE	SPACE DESCRIPTION	AREA	TYPE	USE	SPACE DESCRIPTION	AREA	TYPE	USE	
0001 Boarding Gate	400	COVR	N/A	0019 Boarding Gate	400	COVR	N/A	0037 Electrical Room	105	COVR	N/A	0055 Boarding Gate	417	COVR	N/A	
0002 Holdroom	2,875	COVR	N/A	0020 Office	570	COVR	N/A	0038 Escalator	145	COVR	N/A	0056 Sterile Corridor	1,305	COVR	N/A	
0003 Stairwell	576	COVR	N/A	0021 Void	7	COVR	N/A	0039 Stairwell	145	COVR	N/A	0057 Elevator	58	COVR	N/A	
0004 Boarding Gate	350	COVR	N/A	0022 Restroom, Men	488	COVR	N/A	0040 Escalator	145	COVR	N/A	0058 Stairwell	492	COVR	N/A	
0005 Holdroom	2,371	COVR	N/A	0023 Void	58	COVR	N/A	0041 Electrical Room	3,881	COVR	N/A	0059 Holdroom	17,779	COVR	N/A	
0006 Void	355	COVR	N/A	0024 CONC.	3,855	COVR	N/A	0042 Elevator	87	COVR	N/A	0060 Void	356	COVR	N/A	
0007 CONC, Food & Bev	1,734	COVR	N/A	0025 Void	16	COVR	N/A	0043 Void	82	COVR	N/A	0061 Void	355	COVR	N/A	
0008 Planter	471	COVR	N/A	0026 Stairwell	234	COVR	N/A	0044 Stairwell	128	COVR	N/A	0062 Stairwell	207	COVR	N/A	
0009 Void	355	COVR	N/A	0027 Void	8	COVR	N/A	0045 Void	62	COVR	N/A	0063 Escalator	323	COVR	N/A	
0010 Holdroom	1,876	COVR	N/A	0028 Restroom, Women	903	COVR	N/A	0046 Restroom, Men	741	COVR	N/A	0064 Boarding Gate	419	COVR	N/A	
0011 Planter	470	COVR	N/A	0029 Custodial	68	COVR	N/A	0047 Void	46	COVR	N/A	0065 Sterile Corridor	658	COVR	N/A	
0012 CONC, Food & Bev	1,714	COVR	N/A	0030 Void	131	COVR	N/A	0048 Boarding Gate	389	COVR	N/A	0066 Boarding Gate	948	COVR	N/A	
0013 Holdroom	2,284	COVR	N/A	0031 Corridor	14,707	COVR	N/A	0049 Holdroom	2,236	COVR	N/A	0067 Stairwell	50	COVR	N/A	
0014 Boarding Gate	400	COVR	N/A	0032 Void	10	COVR	N/A	0050 CONC, Food & Bev	1,736	COVR	N/A	0068 Void	12	COVR	N/A	
0015 Sterile Corridor	1,170	COVR	N/A	0033 Void	48	COVR	N/A	0051 Planter	469	COVR	N/A	0069 Stairwell	246	COVR	N/A	
0016 Elevator	82	COVR	N/A	0034 Restroom, Women	612	COVR	N/A	0052 Planter	903	COVR	N/A	0070 Sterile Corridor	916	COVR	N/A	
0017 Stairwell	235	COVR	N/A	0035 Void	7	COVR	N/A	0053 CONC, Food & Bev	1,284	COVR	N/A	0071 Stairwell	246	COVR	N/A	
0018 Escalator	294	COVR	N/A	0036 Stairwell	282	COVR	N/A	0054 Holdroom	2,285	COVR	N/A	0072 Boarding Gate	417	COVR	N/A	
<b>TOTAL</b>																
														<b>31,654</b>		



## PUBLIC LEVEL FLOOR PLAN SECTOR 4 TERMINAL 5 - SATELLITE

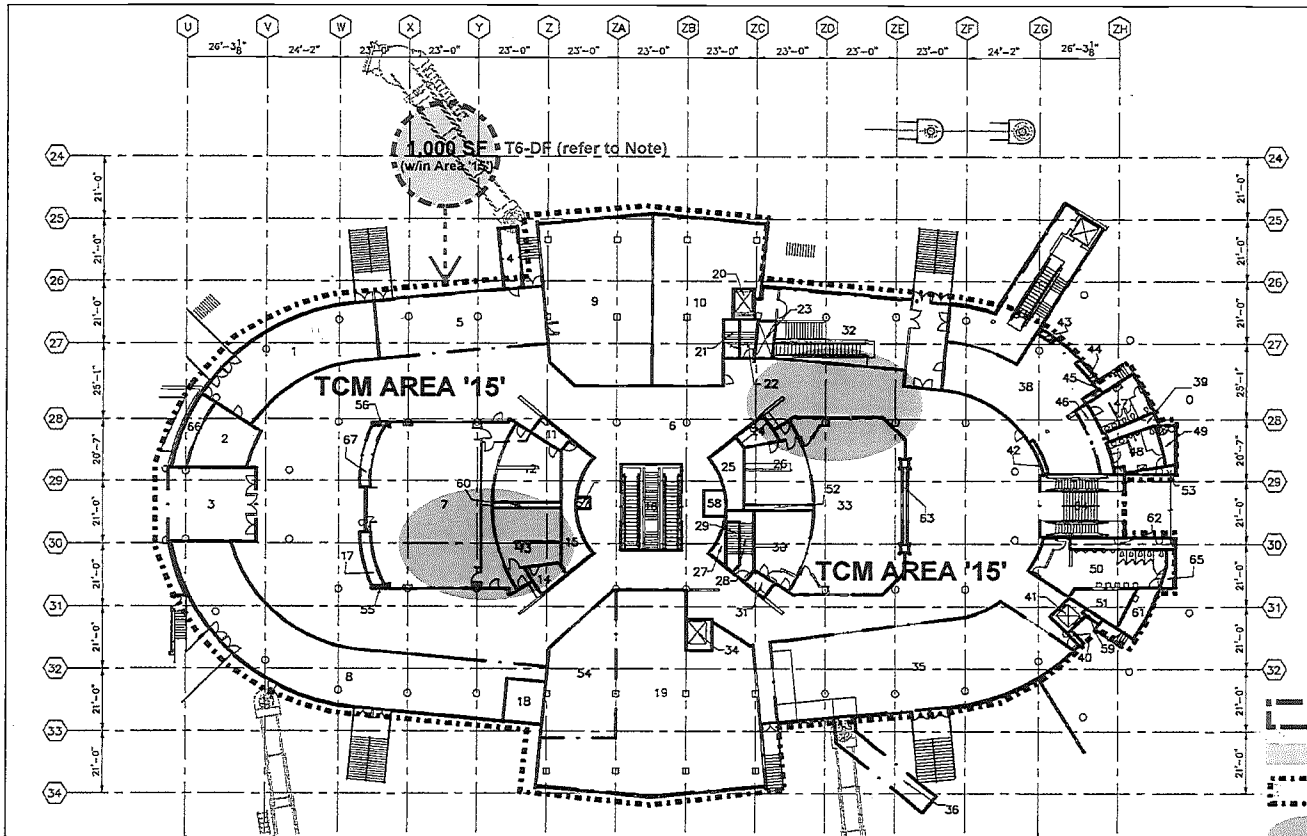
NOTES: 1. The areas noted above are to be considered planning data and were redrawn using the LeaseLine Management Application from existing 20060015-80 drawing files, consultant's CAD files, available information and recalculated using the new LAWA modified BOMA standards. Comments, revisions, verifications and approvals from Property and Concessions Divisions through XXX 01, 2010 have been incorporated.  
2. Dimensions, geometry and usage have been field verified but may not reflect the current conditions. This data should be field verified prior to use.



SUPERSEDES DWG. NO. 20060015-80

<b>PORTLAND</b>		<i>Los Angeles World Airports</i>	
<b>LAX</b>		MASTER LEASE EXHIBIT	
<b>TERMINAL 5</b>		LOS ANGELES INTERNATIONAL AIRPORT	
SUBMITTED BY		APPROVED BY	
ASST. CHIEF AIRPORTS ENGINEER		CHIEF AIRPORTS ENGINEER	
DRAWN NWG	CHECKED AM/P. BURNS	SHEET 12	PLAN SET NUMBER 12 OF 17
SCALE 1" = 40'		DATE 12-21-2010	DWG. NO. 20100005
GRID LOCATIONS TO		FILE NAME 20100005-12-R00	

20100005-12.dwg 12/21/2010



SPACE DESCRIPTION	AREA	TYPE	USE	REV	
0001	Holdroom	1,134	COVR	N/A	N/A
0002	Storage	344	COVR	N/A	N/A
0003	Lobby	717	COVR	N/A	N/A
0004	Ramp Control	123	COVR	N/A	N/A
0005	Holdroom	1,090	COVR	N/A	N/A
0006	Lobby	14,534	COVR	N/A	N/A
0007	CONC, Outy Free	2,353	COVR	N/A	N/A
0008	Holdroom	2,460	COVR	N/A	N/A
0009	CONC, Gifts & News	1,963	COVR	N/A	N/A
0010	CONC, Food & Bev	1,677	COVR	N/A	N/A
0011	Custodial	70	COVR	N/A	N/A
0012	Restroom, Men	465	COVR	N/A	N/A
0013	Restroom, Women	448	COVR	N/A	N/A
0014	Custodial	84	COVR	N/A	N/A
0015	Mechanical	289	COVR	N/A	N/A
0016	Escalator/Stair	571	COVR	N/A	N/A
0017	Unknown	69	COVR	N/A	N/A
0018	Storage	182	COVR	N/A	N/A
0019	CONC, Food & Bev	3,246	COVR	N/A	N/A
0020	Elevator	71	COVR	N/A	N/A
0021	Void	69	COVR	N/A	N/A
0022	Stairwell	74	COVR	N/A	N/A
0023	Void	74	COVR	N/A	N/A
0024	Custodial	85	COVR	N/A	N/A
0025	Mechanical	179	COVR	N/A	N/A
0026	Restroom, Women	482	COVR	N/A	N/A
0027	Void	41	COVR	N/A	N/A
0028	Void	71	COVR	N/A	N/A
0029	Stairwell	130	COVR	N/A	N/A
0030	Restroom, Men	410	COVR	N/A	N/A
0031	Custodial	47	COVR	N/A	N/A
0032	Escalator/Stairwell	1,468	COVR	N/A	N/A
0033	CONC, Food & Bev	1,858	COVR	N/A	N/A
0034	Elevator	41	COVR	N/A	N/A
0035	Holdroom	2,556	COVR	N/A	N/A
0036	Unassigned Space	297	None	N/A	N/A
0037	Elev./Escal. and Stair	981	COVR	N/A	N/A
0038	Lounge	1,329	COVR	N/A	N/A
0039	Void	70	COVR	N/A	N/A
0040	Void	10	COVR	N/A	N/A
0041	Elevator	77	COVR	N/A	N/A
0042	Void	19	COVR	N/A	N/A
0043	Void	13	COVR	N/A	N/A
0044	Void	18	COVR	N/A	N/A
0045	Void	13	COVR	N/A	N/A
0046	Vestibule	114	COVR	N/A	N/A
0047	Restroom, Women	238	COVR	N/A	N/A

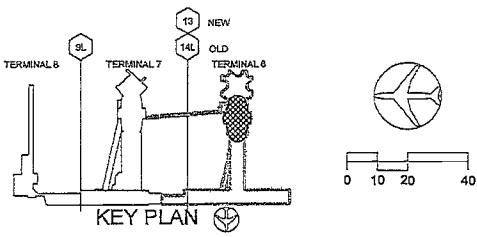
- DFO Unit ID
- DFO Premises
- TCM Development Area
- Potential DFO Development Zone  
(Identification of potential DFO premises area for Unit T6-DF)

**Note (Unit T6-DF):**

1. The final configuration is subject to modification by the TCM; however the following conditions will apply:
  - a) Location of the Unit is limited to TCM Development Area '15' (Sheet 11 of 14).
  - b) The storefront will retain no less than 25 lineal feet of frontage to the terminal public area and the store width to depth ratio will not exceed 1:1.6 based on the 1,000 SF premises area.

## PUBLIC LEVEL FLOOR PLAN CONNECTOR BUILDING 6 TERMINAL 6

- NOTES: 1. The areas noted above are to be considered planning data and were redrawn using the LeaseLine Management Application from existing 20060016-80 drawing files, consultant's CAD files, available information and recalculated using the new LAWA modified BGMA standards. Comments, revisions, verifications and approvals from Property and Concessions Divisions through XXX D1, 2010 have been incorporated.
2. Dimensions, geometry and usage have been field verified but may not reflect the current conditions. This data should be field verified prior to use.



SUPERSEDES DWG. NO. 20060016-80

*Los Angeles World Airports*

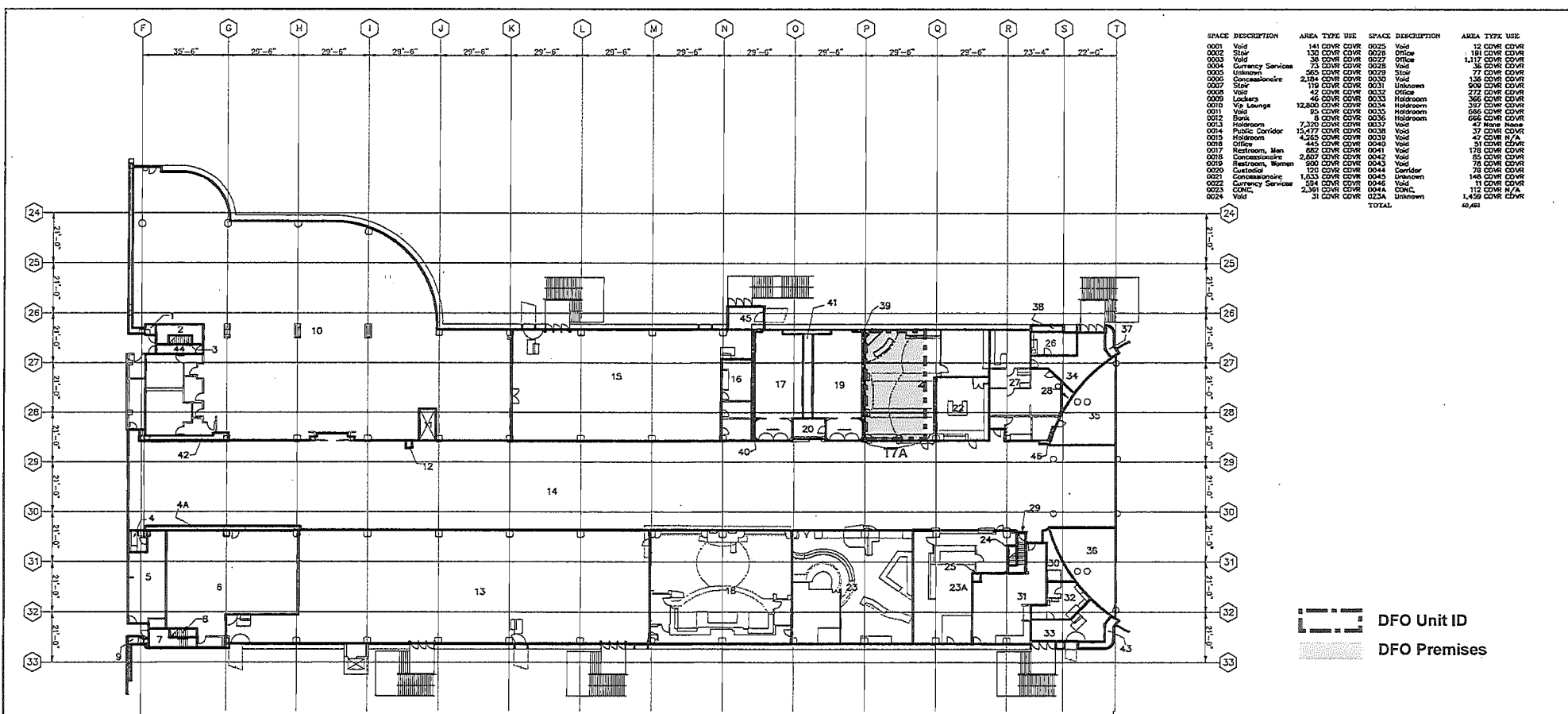
MASTER LEASE EXHIBIT

### TERMINAL 6

LOS ANGELES INTERNATIONAL AIRPORT

SUBMITTED BY		APPROVED BY	
ASST. CHIEF AIRPORTS ENGINEER		CHIEF AIRPORTS ENGINEER	
DRAWN NWG	CHECKED AM/P. BURNS	SHEET 11	PLAN SET NUMBER 11 OF 14
SCALE 1" = 40'		DATE 12-22-2010	DWG. NO. 20100006
GRID LOCATIONS TO		FILE NAME 20100006-11-R00	

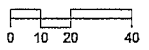
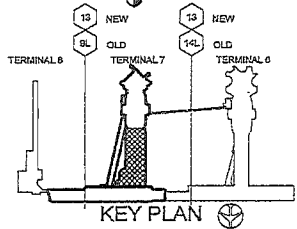
20100006-11.dwg 12/22/2010



SPACE DESCRIPTION	AREA TYPE USE	SPACE DESCRIPTION	AREA TYPE USE
0001 Void	141 COVER COVER	0025 Void	12 COVER COVER
0002 Stair	130 COVER COVER	0026 Office	191 COVER COVER
0003 Void	38 COVER COVER	0027 Office	1,117 COVER COVER
0004 Currency Services	73 COVER COVER	0028 Void	36 COVER COVER
0005 Unknown	119 COVER COVER	0029 Stair	77 COVER COVER
0006 Concessionaire	2,194 COVER COVER	0030 Void	136 COVER COVER
0007 Stair	119 COVER COVER	0031 Unknown	508 COVER COVER
0008 Void	42 COVER COVER	0032 Office	272 COVER COVER
0009 Lockers	46 COVER COVER	0033 Holdroom	365 COVER COVER
0010 Vp. Lounge	12,800 COVER COVER	0034 Holdroom	297 COVER COVER
0011 Void	95 COVER COVER	0035 Holdroom	656 COVER COVER
0012 Bank	8 COVER COVER	0036 Holdroom	666 COVER COVER
0013 Holdroom	7,205 COVER COVER	0037 Void	47 None None
0014 Public Corridor	15,477 COVER COVER	0038 Void	37 COVER COVER
0015 Holdroom	4,265 COVER COVER	0039 Void	47 COVER /A
0018 Office	445 COVER COVER	0040 Void	31 COVER COVER
0017 Restrooms Men	882 COVER COVER	0041 Void	178 COVER COVER
0016 Concessionaire	2,607 COVER COVER	0042 Void	65 COVER COVER
0019 Restrooms Women	900 COVER COVER	0043 Void	78 COVER COVER
0020 Custodial	170 COVER COVER	0044 Corridor	78 COVER COVER
0021 Concessionaire	1,033 COVER COVER	0045 Unknown	148 COVER COVER
0022 Currency Services	594 COVER COVER	0046 Void	11 COVER COVER
0023 CORN	2,361 COVER COVER	0048 CORN	112 COVER /A
0024 Void	31 COVER COVER	0023A Unknown	1,459 COVER COVER
		TOTAL	40,481

DFO Unit ID  
 DFO Premises

### PUBLIC LEVEL FLOOR PLAN CONNECTOR BUILDING 7 TERMINAL 7

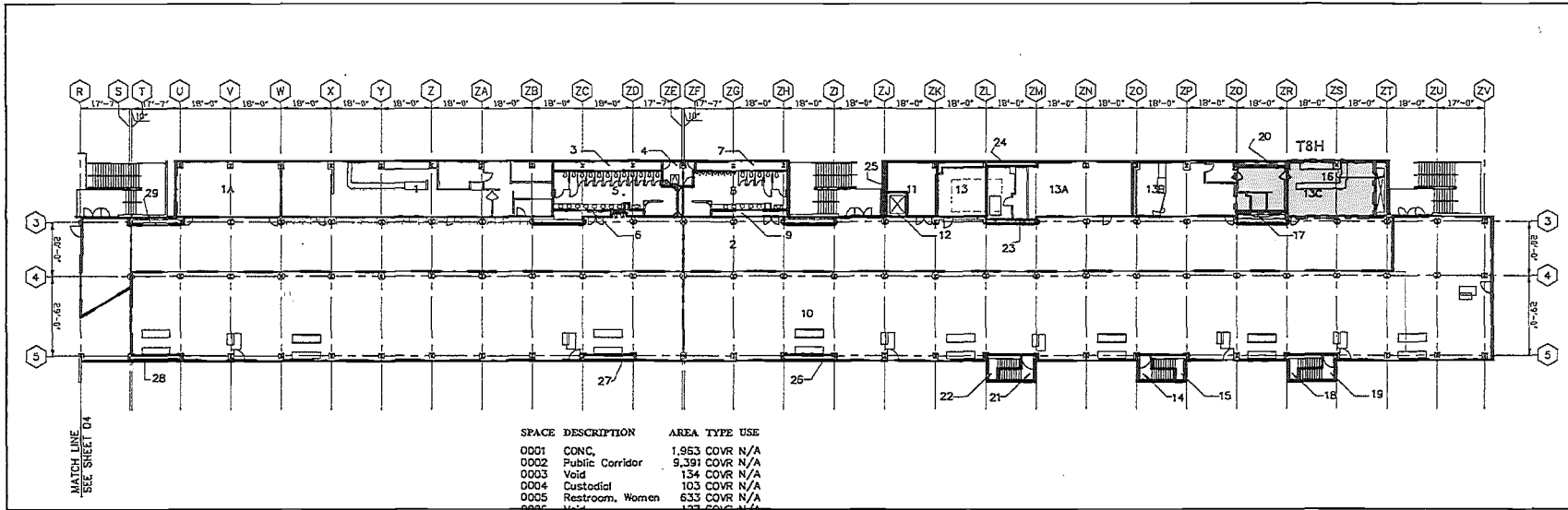


NOTES: 1. The areas noted above are to be considered planning data and were redrawn using the Leaseline Management Application from existing 20050017-80 drawing files, consultant's CAD files, available information and recalculated using the new LAWA modified BOMA standards. Comments, revisions, verifications and approvals from Property and Concessions Divisions through XXX 01, 2010 have been incorporated.  
 2. Dimensions, geometry and usage have been field verified but may not reflect the current conditions. This data should be field verified prior to use.



SUPERSEDES DWG. NO. 20060017-80

		Los Angeles World Airports MASTER LEASE EXHIBIT <b>TERMINAL 7</b> LOS ANGELES INTERNATIONAL AIRPORT	
		SUBMITTED BY	APPROVED BY
ASST. CHIEF AIRPORTS ENGINEER		CHIEF AIRPORTS ENGINEER	
DRAWN NWG	CHECKED AM/P. BURNS	SHEET 12	PLAN SET NUMBER 12 OF 16
SCALE 1" = 40'		DATE 12-23-2010	DWG NO. 20100007
GRID LOCATIONS TO		FILE NAME 20100007-12-R0D	

20100007-12.dwg 12/23/2010



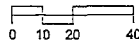
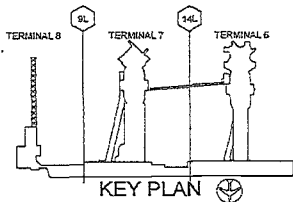
SPACE	DESCRIPTION	AREA	TYPE	USE
0001	CONC.	1,963	COVR	N/A
0002	Public Corridor	9,391	COVR	N/A
0003	Void	134	COVR	N/A
0004	Custodial	103	COVR	N/A
0005	Restroom, Women	633	COVR	N/A
0006	Void	127	COVR	N/A
0007	Void	113	COVR	N/A
0008	Restroom, Men	562	COVR	N/A
0009	Void	114	COVR	N/A
0010	Helioom	15,252	COVR	N/A
0011	None	296	None	N/A
0012	Elevator	65	COVR	N/A
0013	Unassigned Space	351	COVR	N/A
0014	Void	78	COVR	N/A
0015	Stairwell	79	COVR	N/A
0016	Void	83	COVR	N/A
0017	Void	85	COVR	N/A
0018	Void	78	COVR	N/A
0019	Stairwell	79	COVR	N/A
001A	Unassigned Space	755	COVR	N/A
0020	Void	27	COVR	N/A
0021	Void	79	COVR	N/A
0022	Stairwell	78	COVR	N/A
0023	Void	26	COVR	N/A
0024	Void	27	COVR	N/A
0025	Void	15	COVR	N/A
0026	Void	37	COVR	N/A
0027	Void	37	COVR	N/A
0028	Void	37	COVR	N/A
0029	Void	33	COVR	N/A
013A	CONC.	1,040	COVR	N/A
013B	CONC.	1,050	COVR	N/A
013C	CONC.	635	COVR	N/A
TOTAL		34,482		


 DFO Unit ID  
 DFO Premises

## PUBLIC LEVEL FLOOR PLAN (SOUTH) SATELLITE BUILDING 8 TERMINAL 8

- NOTES: 1. The areas noted above are to be considered planning data and were redrawn using the Lease Management Application from existing 20060018-80 drawing files, consultant's CAD files, available information and recalculated using the new LAXA modified BOMA standards. Comments, revisions, verifications and approvals from Property and Concessions Divisions through XXX 01, 2010 have been incorporated.
2. Dimensions, geometry and usage have been field verified but may not reflect the current conditions. This data should be field verified prior to use.

20100008-05.dwg 12/23/2010



SUPERSEDES DWG. NO. 20060018-80		Los Angeles World Airports MASTER LEASE EXHIBIT	
		<b>TERMINAL 8</b> LOS ANGELES INTERNATIONAL AIRPORT	
SUBMITTED BY		APPROVED BY	
ASST. CHIEF AIRPORTS ENGINEER		CHIEF AIRPORTS ENGINEER	
DRAWN NWG	CHECKED AM/P. BURNS	SHEET 05	PLAN SET NUMBER 5 OF 5
SCALE 1" = 40'		DATE 12-23-2010	DWG. NO. 20100008
GRID LOCATIONS TO		FILE NAME 20100008-05-R00	

**EXHIBIT B**

**PRIMARY TERM COMMENCEMENT DATE MEMORANDUM**

**LOS ANGELES INTERNATIONAL AIRPORT  
DUTY FREE MERCHANDISE CONCESSION AGREEMENT**

This Primary Term Commencement Date Memorandum (this "**Memorandum**") is dated as of \_\_\_\_\_, 201\_\_, in connection with the above-referenced Los Angeles International Airport Duty Free Merchandise Concession Agreement (the "**Agreement**") between \_\_\_\_\_ ("**DFO**") and **THE CITY OF LOS ANGELES DEPARTMENT OF AIRPORTS**, a municipal corporation ("**City**"), acting by order of and through its Board of Airport Commissioners ("**Board**").

City and DFO hereby confirm that the Primary Term Commencement Date is \_\_\_\_\_, 201\_\_, and the Expiration Date is \_\_\_\_\_, 202\_\_.

**APPROVED AS TO FORM:**  
Carmen A. Trutanich, City Attorney

**CITY OF LOS ANGELES**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Executive Director  
Department of Airports

By: \_\_\_\_\_  
Deputy/Assistant City Attorney

**ATTEST:**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Print Name and Title

\_\_\_\_\_  
Print Name and Title

**EXHIBIT C**

**DELIVERY DATE MEMORANDUM**

**LOS ANGELES INTERNATIONAL AIRPORT  
DUTY FREE MERCHANDISE CONCESSION AGREEMENT**

This Delivery Date Memorandum (this "Memorandum") is dated as of \_\_\_\_\_, 201\_\_, in connection with the above-referenced Los Angeles International Airport Terminal Commercial Management Concession Agreement (the "Agreement") between \_\_\_\_\_ ("DFO") and **THE CITY OF LOS ANGELES DEPARTMENT OF AIRPORTS**, a municipal corporation ("City"), acting by order of and through its Board of Airport Commissioners ("Board").

City and DFO hereby confirm that the Delivery Date for the Premises described below is as follows:

Premises Space No.	Square Feet	Delivery Date

**APPROVED AS TO FORM:**  
Carmen A. Trutanich, City Attorney

**CITY OF LOS ANGELES**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Executive Director  
Department of Airports

By: \_\_\_\_\_  
Deputy/Assistant City Attorney

**ATTEST:**

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
Print Name and Title

\_\_\_\_\_  
Print Name and Title

**EXHIBIT D  
TRANSITION INFORMATION**

	Anticipated Delivery Date	Commencement of Operations	Anticipated Relinquishment Date	Delivery Condition
<b>Tom Bradley International Terminal and Bradley West</b>				
<b>Unit: BW-01</b> (within TCM Area '1')	Not less than 120 days prior to BWC Opening Date	BWC Opening Date	n.a.	Shell space in accordance with the Bradley West Lease Exhibits (as defined below), subject to modification by the TCM with Executive Director approval
<b>Unit: BW-02</b> (within TCM Area '1')	Not less than 120 days prior to BWC Opening Date	BWC Opening Date	n.a.	Shell space in accordance with the Bradley West Lease Exhibits, subject to modification by the TCM with Executive Director approval
<b>Unit: BW-06</b> (within TCM Area '2')	Not less than 120 days prior to BWC Opening Date	BWC Opening Date	n.a.	Shell space in accordance with the Bradley West Lease Exhibits, subject to modification by the TCM with Executive Director approval
<b>Unit: BW-07</b> (within TCM Area '2')	Not less than 120 days prior to BWC Opening Date	BWC Opening Date	n.a.	Shell space in accordance with the Bradley West Lease Exhibits, subject to modification by the TCM with Executive Director approval
<b>Space No. 11</b> (illustrated on Sheet MLE4CT)	Not less than 120 days prior to BWC Opening Date	n.a.	n.a.	Shell space in accordance with the Bradley West Lease Exhibits, subject to modification by the TCM with Executive Director approval
<b>Space Nos. 2, 3, 4 &amp; 5</b> (illustrated on Sheet MLE3SC)	Not less than 120 days prior to BWC Opening Date	n.a.	n.a.	Shell space in accordance with the Bradley West Lease Exhibits, subject to modification by the TCM with Executive Director approval
<b>Terminal 2</b>				
<b>Unit: T2-DF1</b> (within TCM Area '5')	BWC Opening Date	BWC Opening Date	07/01/13	As-is condition received from existing operator on the BWC Opening Date
<b>Unit: T2-DF2</b> (within TCM Area '5')	07/01/13	Within 90 days of the Delivery Date	n.a.	Shell space in accordance with TCM developed unit plans and specifications, subject to Executive Director approval
<b>Other Terminals</b>				
<b>Terminal 1 - Unit: T1-DF</b> (within TCM Area '11')	03/01/14	Within 90 days of the Delivery Date	n.a.	Shell space in accordance with TCM developed unit plans and specifications, subject to Executive Director approval
<b>Terminal 3 - Unit: T3-DFI</b> (Interim Premises)	BWC Opening Date	BWC Opening Date	03/01/14	As-is condition received from existing operator on the BWC Opening Date
<b>Terminal 3 - Unit: T3-DF</b> (within TCM Area '13')	03/01/14	Within 90 days of the Delivery Date	n.a.	Shell space in accordance with TCM developed unit plans and specifications, subject to Executive Director approval

**EXHIBIT D  
TRANSITION INFORMATION**

	Anticipated Delivery Date	Commencement of Operations	Anticipated Relinquishment Date	Delivery Condition
<b>Other Terminals (continued)</b>				
<b>Terminal 4 - Unit: T4J</b>	BWC Opening Date	BWC Opening Date	n.a.	As-is condition received from existing operator on the BWC Opening Date. Redevelopment of the existing Premises, in accordance with the Design and Construction Handbook, provided by the DFO.
<b>Terminal 5 - Unit: T5H</b>	Not less than 120 days prior to BWC Opening Date	BWC Opening Date	n.a.	As-is condition received from existing operator on the BWC Opening Date. Redevelopment of the existing Premises, in accordance with the Design and Construction Handbook, provided by the DFO.
<b>Terminal 6 - Unit: T6-DF (within TCM Area '15')</b>	07/01/13	Within 90 days of the Delivery Date	n.a.	Shell space in accordance with TCM developed unit plans and specifications, subject to Executive Director approval
<b>Terminal 7 - Unit: T7A</b>	BWC Opening Date	BWC Opening Date	n.a.	As-is condition received from existing operator on the BWC Opening Date. Alterations of the existing Premises, in accordance with the Design and Construction Handbook, provided by the DFO.
<b>Terminal 8 - Unit: T8H</b>	Not less than 120 days prior to BWC Opening Date	BWC Opening Date	n.a.	As-is condition received from existing operator on the BWC Opening Date. Redevelopment of the existing Premises, in accordance with the Design and Construction Handbook, provided by the DFO.

**BWC** - Bradley West Core

**DFO** - Duty Free Operator

**TCM** - Terminal Commercial Manager

**Bradley West Lease Exhibits** - Shell condition as described in that certain "Bradley West Modernization, F58 Tenant Lease Exhibits, 100% RFP Submittal, Date: March 28, 2011"

## EXHIBIT E

### STORAGE SPACE ADDENDUM

THIS STORAGE SPACE ADDENDUM (this "Addendum") is made as of \_\_\_\_\_, 2010 by and between **THE CITY OF LOS ANGELES DEPARTMENT OF AIRPORTS**, a municipal corporation ("City"), acting by order of and through its Board of Airport Commissioners ("**Board**"), and \_\_\_\_\_, a \_\_\_\_\_ ("**DFO**"), and upon execution and delivery of this Addendum by Executive Director shall become a part of that certain Los Angeles International Airport Duty Free Merchandise Concession Agreement dated as of \_\_\_\_\_, 2011, by and between City and DFO with respect to the Premises (as defined therein) (the "**Concession Agreement**").

1. Defined Terms. All initially capitalized terms not otherwise defined in this Addendum shall have the meanings set forth in the Concession Agreement, unless the context clearly indicates otherwise.
2. Lease of Storage Space. In consideration of the payment of Storage Rent (hereinafter defined) and keeping and performance of the covenants and agreements by DFO as set forth in this Addendum and in the Concession Agreement, City leases to DFO approximately \_\_\_\_\_ square feet of storage space (the "**Storage Space**"), as shown on the drawing attached to this Addendum as Schedule 1.
3. Term of Storage Space Addendum. DFO's right to use the Storage Space will commence at 12:00 noon on \_\_\_\_\_, 201\_, and terminate on the earlier of (a) thirty (30) days' prior written notice from either of City or DFO to the other, and (b) the concurrent expiration or earlier termination of the Concession Agreement. In connection with the expiration or earlier termination of this Addendum, DFO shall remove all of its goods, furniture, equipment, files, supplies and other personal property from the Storage Space and shall surrender the Storage Space in substantially the same condition as received by DFO.
4. Storage Rent. Monthly base rent for the Storage Space ("**Base Storage Rent**") will be \$ \_\_\_\_\_. In addition to monthly Base Storage Rent, DFO shall pay as additional storage rent ("**Additional Storage Rent**") to City an amount equal to [electricity, CAM, taxes]. Electricity (and any other utilities) with respect to each Storage Space shall be separately metered at DFO's expense, and shall be invoiced directly to DFO. If Executive Director agrees that it is impossible to separately meter a given utility at a given Storage Space, then DFO shall pay to City as Additional Rent an equitable and non-discriminatory pro-rata amount of said utility invoice which includes said Storage Space, based upon Executive Director's good faith estimate of DFO's share thereof. For purposes of this Addendum, "**Storage Rent**" shall mean Base Storage Rent and all Additional Storage Rent payable to City hereunder. All Storage Rent will be payable in advance, without notice, on the first day of each month during the term, at the place designated in the Basic Information of the Concession Agreement for the payment of Rent, or at such place as City may from time to time designate in writing.
5. Use of Storage Space. DFO will use the Storage Space in a careful, safe and proper manner, in accordance with all applicable Laws and any Rules and Regulations. DFO agrees to be fully

liable for any damages or losses sustained by City as a result of any overloading by DFO] DFO will pay City as Additional Storage Rent on demand for any damage to the Storage Space caused by misuse or abuse by DFO, its agent or employees, or any other person entering the Storage Space. DFO will not commit waste nor permit waste to be committed nor permit any nuisance in the Storage Space.

6. Lighting; Electricity. City agrees, during the Term of this Addendum, to furnish and provide such electric lighting service to and such ingress and egress from the Storage Space during ordinary business hours as may, at the judgment of City, be reasonably required for the use and occupancy of the Storage Space pursuant to the terms of this Addendum. DFO agrees that City will not be liable for failure to provide such lighting service or ingress and egress during any period when City uses reasonable diligence to supply them. City reserves the right temporarily to discontinue electric service, or ingress or egress, at such times as may be necessary when City is unable to provide them by reason of accident, unavailability of employees, repairs, alterations or improvements, or whenever by reason of strikes, walkouts, riots, acts of God, or any other happening beyond the control of City. City will be under no obligation to furnish heating or air conditioning service to the Storage Space. City will have the right to enter the Storage Space to examine and inspect it as provided in the Concession Agreement and to require the removal of any object or material City deems hazardous to the safety or operation of the Terminal or building in which the Storage Space is located.
7. DFO Contacts. DFO will provide City a list of DFO's appointed representatives and their telephone numbers for the Storage Space. DFO may, from time to time, change the individuals who are designated as DFO's representatives by written notice to City of any such change. City will contact DFO's representative only to obtain access to the Storage Space. City will place signs identifying the location and telephone number for DFO representative on each Storage Space.
8. Storage at DFO's Risk; Condition of Storage Space. DFO agrees that all property of DFO kept or stored in the Storage Space will be at the sole risk of DFO and that DFO will not be liable for any injury or damage to such property. DFO will carry and maintain, at DFO's expense, insurance covering all property stored in the Storage Space. Taking possession of the Storage Space by DFO will be conclusive evidence that the Storage Space was in the condition agreed upon between City and DFO and acknowledgment by DFO that it accepts the Storage Space in its then "as-is, where is" condition, "with all faults," and without any further improvement by City.
9. Applicability of the Concession Agreement. Except to the extent specifically provided otherwise in this Addendum, the provisions of the Concession Agreement (other than Sections \_\_\_\_\_) shall be applicable to the Storage Space and this Addendum as if they were specifically set forth in this Addendum. During the term of this Addendum, references in the Concession Agreement to the "Premises" will be deemed to refer to the "Storage Space," unless the context clearly indicates otherwise. In the event of any express conflict between the provisions of the Concession Agreement and the provisions of this Addendum, the provisions of this Addendum shall control.

10. Cross-Default. Any default by DFO in the performance of DFO's obligations under this Addendum will also be a default under the Concession Agreement.
11. Improvements to Storage Space; Relocation and Partial Termination. DFO shall not make any alterations or improvements to the Storage Space without the prior written consent of City and compliance with the applicable provisions of the Concession Agreement. City expressly reserves the rights (a) to relocate the Storage Space to such other storage area as may be designated by City, or (b) to partially terminate this Addendum with respect to any portion of the Storage Space upon not less than thirty (30) days prior written notice to DFO. Notwithstanding anything to the contrary provided in the Concession Agreement or otherwise, DFO shall not be entitled to any compensation or reimbursement in connection with such relocation or partial termination (including, without limitation, any compensation or reimbursements for moving expenses, or for alterations or improvements made to the Storage Space); *provided, however*, the Storage Rent shall be equitably adjusted in connection with any reduction in the Storage Space.
12. Counterparts. This Addendum may be executed in counterparts, but shall become effective only after each party has executed a counterpart hereof; all said counterparts when taken together, shall constitute the entire single agreement between the parties.

[Signatures on next page]

IN WITNESS WHEREOF, City has caused this Addendum to be executed on its behalf by Executive Director and DFO has caused the same to be executed by its duly authorized officers and its corporate seal to be hereunto affixed, all as of the day and year first hereinabove written.

**APPROVED AS TO FORM:**  
Carmen A. Trutanich, City Attorney

**CITY OF LOS ANGELES**

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Executive Director  
Department of Airports

By: \_\_\_\_\_  
Deputy/Assistant City Attorney

ATTEST:

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

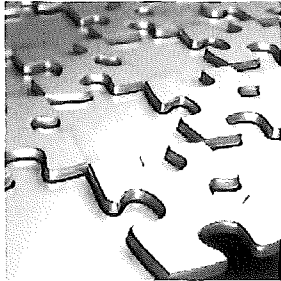
\_\_\_\_\_  
Print Name and Title

\_\_\_\_\_  
Print Name and Title

**SCHEDULE 1**  
**STORAGE SPACE DRAWING**

**EXHIBIT F**  
**INITIAL IMPROVEMENT PLAN**  
**[ATTACHED]**

### 8.1 Introduction



#### **DFS IS A CONFIDENT INVESTOR IN LAX: ON TIME, ON BUDGET, NO EXECUTION RISK**

We Commit to \$42,000,000 in Capital Investment at LAX

During the term of this concession we will invest:

- \$25,000,000 in the development of the new concessions and
- \$17,000,000 in the continuing refurbishment and improvement of the facilities.

This investment is made confidently in the knowledge that it will deliver sales growth and improvements in customer service.

These investments are also made in the knowledge that LAWA is strongly committed to the upgrading of the terminal facilities at LAX. The combined impact will truly bring LAX alive.

#### **We Make Every Dollar Count**

At DFS we understand there is a balance: On the one hand there is the need for continual investment in facilities to deliver the best environment and service for our customers, on the other hand every dollar invested unnecessarily is a dollar less revenue for LAWA. This simple truth motivates us to ensure that we plan and execute our projects in such a way that our return is maximized. Our cutting edge store designs will entice the customer and represent LAWA and Los Angeles well.



***We confidently commit \$42,000,000 in investment to truly bring LAX alive.***

### We Set the Standards for Creativity and Innovation

Our stores are designed to be enticing, efficient and enjoyable: We showcase the product, we make way finding and directional flow work for us, not against us, and we develop innovative solutions for promotional engagement.

Every detail counts: From the façade, the flooring, the lighting and the use of the senses, all are carefully considered in order to deliver a comprehensive but simplified shopping experience for our customer. It is an experience that is adapted and adjusted carefully to showcase each different product category.

Most importantly, we develop plans that are closely synchronized with the overall aims of LAWA and the macro planning strategies of the terminals.

### Our Sustainability Means Our Future

It is critically important to us that we set the standard wherever we operate regarding sustainability. Our store designs, our operating standards, and our overall thought processes, lead us naturally toward this goal. Our results to date, as well as our future development plans, including LEED certification activities, position DFS and LAWA as partners linked in delivering an airport that our children will be proud of.

For DFS Group "Sustainability" and "Environment" are not just words in an annual report: For us they mean "Future".

### Our Professional Project Management

On time and on budget project delivery is expected at DFS. Our experience in operating in secure locations at airports around the world and working closely with airport management and our professional internal and external project management resources means we ensure efficiency is maximized and disruption is minimized. The result is that we deliver what we say we will deliver: Retail creativity and efficiency blended into the LAX flow and overall terminal designs.

## 8.2 Explaining our plan for implementing improvements at LAX

In this section we explain our plan for implementing improvements to the shops. Our design strategies will focus on delivering the following key elements:

- ⊗ Innovation and creativity
- ⊗ Merchandising clarity
- ⊗ Productive promotional podiums
- ⊗ Ease and logic of customer flow

***We have developed plans that are closely synchronized with the overall aims of LAWA and the macro planning strategies of the terminals.***

- ⊗ Welcoming shop facades
- ⊗ Lighting both theatrical and practical
- ⊗ Dynamic use of materials
- ⊗ Sensitive brand personalisations
- ⊗ Practical design and placement of merchandise fixtures.

Combined with the use of visual merchandising and leading edge technology and POS installations, these elements will deliver an engaging and efficient customer experience. Our designs and shop improvements will be executed with careful regard for the position of the store within the terminal and with due respect to LAWA's terminal design guidelines.

## DESIGN OVERVIEW

### Capturing the essence of LA

Although our shops will carry a broad array of international brands and in some cases will offer exclusive products for our stores, we intend to anchor our stores' atmosphere in the spirit of Los Angeles. To do this we looked at the essence of what we wish to capture.

Los Angeles is a city that has permeated people's awareness in the far reaches of the globe through media for decades. The history of Los Angeles has made it an important part of a global community. It is the home of celebrities and it is a celebrity in its own right. It has a recognizable past yet continuously looks to the future through innovation and panache.

Sophistication and elegant ease come from the fluid energy and multi-layering society that is modern Los Angeles; this is our inspiration. Taking our cues from LA's 'cool' sense of architecture, its shoreline and its crimson stream of tail lights on freeways at night, we infused our store designs with clean lines, crisp and fresh colors and subtle textural elements.

We blended these creative elements with what we have learned from more than 50 years of airport retail experience to maximize the functionality of the selling areas. Never do we sacrifice efficiency just to satisfy design.

## STORE SPECIFIC CONCEPTS

We approached the development of shop floor plans according to the instructions in the RFP which require TBIT and Terminal 2 to be handled as distinct stand alone designs while the other, smaller facilities may be grouped together. Of course, even the smallest store received personalized attention but the simple fact is that TBIT and T2 account for over 80% of LAX duty free sales and therefore deserve to receive special focus and attention.

### Tom Bradley International Terminal

We see TBIT as the gateway to the world from LAX; therefore our TBIT design offers the most dramatic shopping environment of all of the terminals. Our TBIT shops have been designed to offer the greatest opportunity to create complete shopping world

environments for each of our key categories:

- ⊗ Beauty
- ⊗ Spirits/Wine/Tobacco/Food
- ⊗ Fashion
- ⊗ Watches

### Beauty

As a highly productive and high energy category, the Beauty world has been placed in the highest visibility position upon entering the departure hall. The entry is wide open with an easy direct aisle that draws the passenger through the space. The layout of this shop has a consistent diagonal aisle that continues through the entire length of the space terminating in a world of Fragrances. The efficiency of the layout and design maximizes the customer flow while featuring compelling interactive elements:

The entry features highly sought after travel sets in a feature fixture making it compelling and easy for the customer to grab and go.

An event space with Magic Mirror technology allows a customer to photograph their face and try beauty products on their image by using our new technology applications.

Fragrances features a sampling tower that not only displays the beautiful array of fragrance bottles offered in the store but allows one stop sampling of the entire product range.

Beauty is made clean and fresh with white and cream soft hues of color added through accent lighting. Texture and lighting have been combined to offer the slightest amount of sparkle as a hint of glamour without being obvious.





### Spirits, Wine, Tobacco and Food (SWTF)

The world of SWTF clearly identifies each subgroup within its world. We have divided the products into category homes to build on the authenticity of the offering and to make it extremely easy for the customer to shop and compare. Our Rare and Prestige products are highlighted separately to call out their importance and quality to the discerning customer.

To create the ultimate customer engagement each Spirits classification is set up with its own tasting station for product while the center of the store features a mega tasting area that changes by promotion to establish the overall mood and feel of the space.

Wood and soft muted tones and burnished metals are the main finishes that exemplify the mood and richness of the SWTF area.

### Fashion and Watches

The distinct collection of brands is united architecturally with streamlined frame portals and soft muted tones that are a complementary backdrop to the products being featured.

- ☉ Three 1,100 sq. foot fashion brands in self contained fully personalized environments showcased in their latest international design concept.
- ☉ A dedicated watch room featuring a collection of Luxury and Fine Watches in an environment that is in keeping with the stature of the product.
- ☉ A general area for fashion that showcases four fashion brands in an open and accessible format.

### Terminal 2

Our Terminal 2 store is also divided into merchandise worlds with defined zones for each major product classification. The business categories here are Beauty, SWTF, and Watches /Sunglasses. Beauty and SWTF are the predominant categories and create the strongest presence for the shop.

Since the shop is both wide and deep, the center aisle loops through the store to provide the most efficient path of travel and exposure to the full product range. The fixtures are positioned for maximum exposure and easy access.

### Other Terminals

While the floor plans at other terminals are less intensive in terms of defining merchandise zones there is a clear delineation and efficient segregation of Beauty and SWTF categories. Wall bays are configured to meet presentation requirements of specific assigned merchandise categories rather than generic and can be adapted to changes in product allocation using specialized inserts. Floor fixtures are placed in zones defined by floor covering treatment to help define categories as well as circulation.

### SHOP LAYOUTS: SHARED DESIGN ELEMENTS

Our store designs across all terminals share certain elements that contribute directly to maximizing sales and airport revenue while creating a pleasurable shopping environment for our customers. These shared design elements includes:

#### Clarity of Merchandise Positioning

All of our store layouts are planned to assist hurried travelers navigate through the shopping space, finding and accessing specific products and concluding a transaction. Sight lines throughout the stores are kept clear and each merchandise category has its own "zone" defined by floor and/or ceiling treatments and materials, partial walls or fixture placement. In most stores we lead off our merchandise presentations with the Beauty category because it has the strongest appeal across the broadest range of customers and it represents the biggest business opportunity, followed by Spirits, Wine, Tobacco and Food (SWTF) category.



### Strong Promotional Presence at Store Entrances

At all LAX stores we create a powerful promotional presence by providing a dedicated space, usually at the front of the facility, to feature new products and special offers. This is where our value message is introduced to travelers and where we profile the newest releases and most desired products. The content and presentations of the merchandise in these promotional areas changes constantly as part of DFS' 365-day promotional calendar.

### Clear Circulation

Ease of access into and through the store right through check out was addressed in every plan. In larger stores it is through a clearly defined broad aisle and in smaller stores it is through straight forward fixture layouts that allow customers to maneuver with their travel bags.

### Directional Flow for Ease of Movement

All stores are designed with a dedicated flow plan that moves the travelers through each section of the store. The idea is to create an entry point, path of travel and exit point that are immediately understandable and which the traveler will recognize as an unimpeded route.

### Well Defined Aisles and the Perception of Spaciousness

In our larger stores our well-defined aisles create a perception of wide open space that the traveler can visit without fear of getting awkwardly stuck with luggage in small cul-de-sacs or dead ends or having to wiggle between fixtures placed tightly together. Because the decision to shop or by-pass a store is made in a split second, this perception of spaciousness is important to maximizing penetration.

### STORE FAÇADES – INNOVATION

Knowing that our customers have limited time, we have created a consistent façade design that defines the store but is open and inviting to influence the customer to quickly decide to visit the store. In order to achieve this we turned to technology. We have created a compelling, yet highly functional media wall feature as a part of these facades to create something that is renewable and relevant to the visitor on a daily basis. As a media driven city, the use of electronic imagery to create a sense of place is very appropriate. The subliminal imagery will evolve, depicting relevant scenes and events of LA.

***On time and on budget is expected at DFS.***

## LIGHTING – PURPOSEFUL AND SUBLIMINAL

We treat the lighting within our stores as a balance between science and theater. By paying attention to the right level of light we achieve a compelling aesthetic that is appropriate for each merchandise category. We have converted all of our ambient and spot lighting to LED. For each merchandise category we match the lighting function to the needs of the product and the customer.

## MATERIALS – TACTILE YET PRACTICAL

Core to our material selection are the use of stone, wood, glass and other solid surfacing materials. These not only support our aesthetic objectives, but also fulfill our requirements for durability and ease of maintenance which is critically important, especially in the airport environment.

## FIXTURE DESIGN

Store fixture design focuses first on achieving the right product capacity to optimize promotions and ensure a proper customer experience. For this reason, function dominates form and design follows merchandising objectives. The proper presentation of the products to maximize sales is the overriding objective and we prefer to see more products, less furniture.

Store fixtures are custom tailored by merchandise category and classification. We developed a promotional pyramid fixture for Spirits that allows a very high density of product in a very small floor area. In other categories we use techniques such as cantilevered shelving to assure the customers' eyes go to the merchandise first and not the display unit. We design flexibility into our fixtures so we can make changes to merchandise presentations on the sales floor, expand and contract categories, and be immediately reactive to the customers without waiting for new fixtures to be installed.





## BRAND PERSONALIZATION

Brand personalization is an important aspect to merchandise presentation. Our shops feature a cohesive design theme and environment in which brands are showcased but they co-exist within a consistent design context. Brand imagery does not dominate store design; it complements it and we achieve a harmonious balance among brands through the judicious use of neutral space – much like a good picture frame surrounds, highlights and enhances the picture.

## PRODUCT SPECIFIC DESIGN FEATURES

DFS is an enthusiastic advocate of product-specific design. This is found throughout our store design plans. Examples:

### Scotch Whisky and Single Malts

We worked closely with our brands to develop trend setting designs for the spirits areas of our stores. One outcome of this collaboration was creation of a new way to present the very important Scotch Whisky and Single Malt products. The new design concept focuses less on brands and prices and more on the attributes of the spirits itself. The wall and floor fixtures are designed to educate shoppers about how to evaluate and buy these products, to create a sense of their history, the regions from which they originate, the flavor groups and so on.

### Electronic Sales of Tobacco

We have designed a brand new way to present and sell tobacco at LAX using a self-service electronic ordering system based on touch screen devices. Using an iPad, customers can place an order for tobacco products for gate pickup and pay through the device using a credit or debit card. The iPad has comprehensive product information available for the customer and marketing and promotional messages are delivered through the device. Duty free importation allowances are provided when the customer indicates his/her destination. As part of the sale process the customers attest to being old enough to legally purchase tobacco products and there are age checks at the point of delivery.



### Fragrance Testing

In the Beauty category we have designed a circular Fragrance-testing fixture that aggregates DFS' extensive fragrance collection and organizes the fragrances according to scent family and then presents the choices with electronic product information support using iPads. This allows shoppers to learn about the world of Fragrance and then experiment to find the perfect scent for personal purchase or as a gift. In cosmetics we capitalize on the tremendous demand for travel sets by utilizing a proprietary super high-density fixture located directly in the passenger's direction of flow to maximize exposure and sale of these items.

### Magic Mirror

Another unique, product-specific design feature is our incorporation of the "Magic Mirror" into the Beauty category at our TBIT store. With Magic Mirror shoppers are able to create virtual makeovers using image capture and layering technology without actually applying product to their faces – a big attraction in a travel retail environment.

*DFS focuses on the intelligent adoption of technology.*



*Technology infuses all aspects of our store designs.*

## TECHNOLOGY

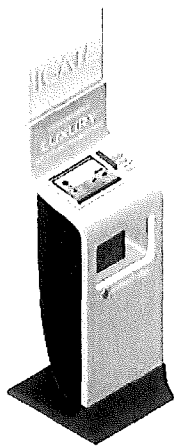
Technology infuses all aspects of our store design and manifests itself in a variety of ways. From our brand new POS systems to hand held and mobile selling devices, DFS focuses on the intelligent adoption of technology.

### Media Walls

The passengers' first introduction to the technology in DFS stores are the media walls designed for the exterior of the shops. These large digital panels will be the "magnets" that inexorably pull travelers to the shops and introduce them to the shopping opportunities of the duty free concession.

### Digital Light Boxes

Within our stores we exchanged the traditional light boxes/transparency for digital screens. The digital approach delivers significantly more flexibility in managing the visual statements of our stores and in providing theatrical options.



### iGate

Our innovative iGate technology described in the Marketing section of our proposal is an integral part of store design as it allows our customers to access and purchase from a broad assortment of duty free products without the space and inventory constraints imposed by smaller shops. Supplementing the iGate technology is a comprehensive program of self-directed product information delivery systems based on i-Pad technology and located in each merchandise zone. Using the i-Pads customers can explore merchandise options, product history, features, comparisons and more at their own pace – a major contributor to shopping as entertainment.

### Digital Fixtures

Our gondola-style fixtures are designed to incorporate video screens into their end caps which provide a canvas on which we can promote and market specific products and also communicate sales messages in multiple languages to meet the customer profiles at different times of the day.

### Digital Signage

In-store signage will largely be converted to digital formats. Not only does this reduce paper waste but just as importantly the digital signs can be updated near instantaneously without waiting for printed materials and without the inefficient use of staff to replace paper signs. The digital signs enable us to reflect the mix of departing nationalities and their languages at any given part of the business day, a huge advantage compared to static signs.

### Customer Counting Systems

Our store designs incorporate sophisticated infrared customer counting and movement systems which provide extensive data used for staff planning, product placement, promotional activities and more. An extensive dashboard is then utilized to track data created from this count; penetration, conversion, spending and sales are now a finger's touch away.

## RETAIL POS SYSTEM

DFS employs a three-pronged strategy to optimizing the processing of sales transactions from an efficiency and customer service perspective. The four elements of the POS strategy are: a brand new POS system from Wincor Nixdorf, centralized POS stations and mobile POS for ultimate shopping convenience.

### Wincor Nixdorf POS – The Next Generation of Cashiering

DFS is in the midst of a global rollout of a new point of sales system that will eventually be placed at every shop we operate. The implementation of the new systems at LAX has already begun as we are piloting Wincor in T2 and T7.

Wincor-Nixdorf is a POS system that has been customized to meet the demands of a high volume, high speed airport such as LAX. Our pilot program indicates that our new POS system will have the ability to reduce the average sales transaction time by 40 seconds or more: 40 seconds multiplied across more than 1.2 million annual transactions is significant. This is especially meaningful at LAX where the airport configuration and merchandise delivery requirements demand cut-off times of 45-60 minutes before flight departures. Every second counts when it comes to maximizing sales!



When fully implemented, our LAX system will enable live access to the inventory positions, by item, at all stores in all terminals and at our North America distribution center. This feature allows stores to liaise with the distribution team to arrange replenishment and eliminate sold-out conditions. Additionally, access to real time

inventory data supports customer service initiatives such as when a Platinum Service Club member wants to reserve a one-of-a-kind or limited allocation product.

Our POS system configuration includes the peripherals required to process sales efficiently and effectively: magnetic card reader, barcode scanner, touch screen display, smart card reader, PLU capabilities, wifi, e-receipt options, a proximity sensor and, of course, multiple printer and keyboard options.

### New Capabilities

The new Wincor-Nixdorf systems will feature exciting new capabilities over and above the existing IBM POS system, including the following:

- ⊗ Capable of quickly scanning boarding passes and capturing key customer information and flight details thereby eliminating time consuming manual entry of the data
- ⊗ Provide automated discounts based on preset parameters
- ⊗ Cashiers will be able to scan a barcode at the bottom of the sale receipt to select a transaction for a full automatic refund instead of manually keying in transaction details
- ⊗ Enable staff to look up details about customers enrolled in DFS' loyalty programs including a check of the points earned and redeemed in the program

### Central Cashier Strategy

The introduction of the new POS systems, described above, will be accompanied by an equally significant change in the way we process sales transactions in the stores. In the past we have employed a traditional strategy of dispersing cashier points throughout the facilities. While this seems intuitively to be the right approach, our studies have shown clearly that the dispersed cashiering model detracts from the overall customer shopping experience.

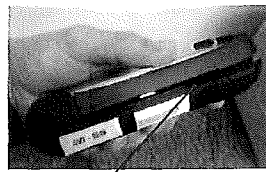
The benefits are clear:

- ⊗ creates more shopping time which leads to more sales
- ⊗ saves scarce retail space which can be invested in greater product density and higher sales per square foot
- ⊗ maximizes the shopping experience for the customer
- ⊗ enables cross-merchandising and cross-promotions opportunities
- ⊗ contributes to efficiency in packaging products for gate delivery
- ⊗ reduces queuing in payment lines

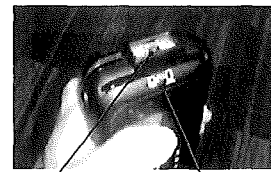
While we seek to employ the centralized cashier strategy to the maximum extent allowed by the size and configuration of concession spaces, it is not always possible or desirable to aggregate all of the POS units into one space so, when indicated, we supplement the centralized station with dispersed POS units and other options discussed below.

## MOBILE POS

DFS will also use mobile POS devices. Mobile technology can be especially valuable during peak periods and contribute directly to improved customer satisfaction. Mobile POS is able to complete all sales transactions independently throughout our facilities; for cash sales through the Mobile POS, the currency tender process is completed at one of the central cashier POS stations.



Magnetic Swipe



2D Barcode Scanner

EMV Capabilities

## SUSTAINABILITY INITIATIVES

DFS continues to be a leader on environmental matters in the retail sector. In 2009, we embarked on a 5-year initiative to address climate change through investments, philanthropy and through our own operations. DFS focused on reducing its environmental footprint to help advance energy efficiency and low-carbon energy applications and other emerging technologies.

Our company-wide objective is to reduce our baseline carbon footprint from all of our major airport concession operations. DFS has undertaken a green renovation to incorporate in new stores and retrofit older facilities with extensive use of LED lighting, low energy AC variable demand fresh air controls that reduces AC cooling loads by 20-25%, low VOC paints to reduce toxic emissions, etc.

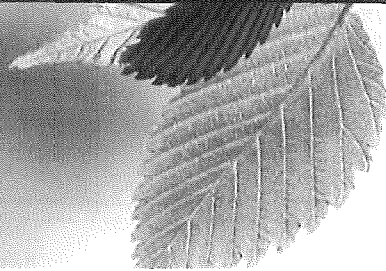
DFS aims to achieve certification of the Bradley West facility as LEED 1 Retail CI Gold which we believe will be the first such certification of retail premises at Los Angeles International Airport.



LEED 1 (Leadership in Energy & Environmental Design) certification was created in 1998 in the United States by the US Green Building Council to encourage the building sector to develop strategies aimed at improving performance in various areas: energy savings, reductions in CO2 emissions, improving interior air quality, and protecting water resources. According to recent studies, a LEED certified building is on average 19% more energy efficient than other buildings of the same category due to the incorporation of LED lighting, more efficient air conditioning systems, better use of equipment and more.

***For DFS, "Sustainability" and "Environment" are not just words in an annual report; For us they mean "Future".***

## C A S E S T U D Y



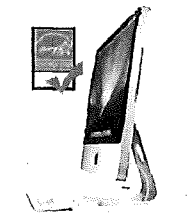
DFS is opening a new store in Hysan Place which is one of Hong Kong's newest buildings to be rated under the LEED environmental rating system.

DFS Hysan (HK) is targeting a LEED rating for retail fitout under a USGBC environmental rating system. This is an international benchmark and this DFS store will be among the first to be rated using the new LEED-CI for commercial interiors retail rating. A range of initiatives are being implemented to reduce the store's impact during construction and after in operation.

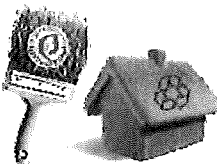
DFS Hysan – Key Building Green Initiatives include:



- o Water Use-high efficient sanitary fittings aim to reduce commercial water use by up to 30%.



- o Energy Use & Demand-a highly efficient DC FCU system and low energy lighting system provides approximately 20% reduction in energy compared to business as usual. Low energy AC variable demand fresh air control (CO2 monitored) that reduces AC cooling loads by 20-25%. Low energy lighting system with extensive use of LED lighting and advanced BigFoot light box will be utilized in the store.



- o Energy Star Equipment-all commercial equipment and appliances should be "Energy Star" type.

- o Energy Monitoring- energy metering system will be installed to monitor power consumption.

- o Green Materials-recycled content material (such as terrazzo), rapidly renewable materials (such as bamboo flooring, wool carpet) and FSC certified wood (such as furniture, wood door) will be specified in the retail area to reduce impacts on the environment.



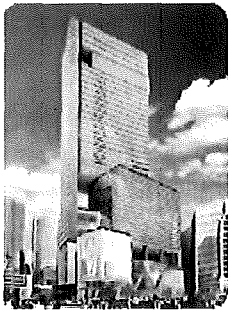
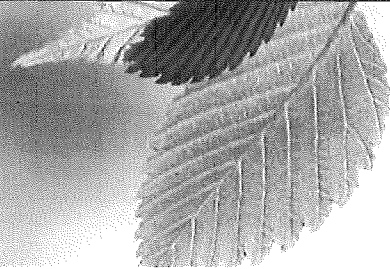
- o Indoor Environmental Quality-low VOC adhesive, sealants, paints, coatings, flooring system and furniture will be specified in the retail area to reduce toxic emission.

- o Embodied Energy-embodied energy for the store will be reduced through the use of local materials within 500 miles of the project and use of recycled construction waste materials.

## C A S E S T U D Y



## DFS Sun Plaza

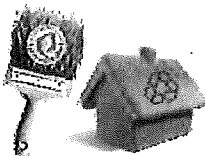
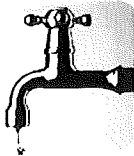


DFS is committed to sustainable operations and global environmental initiatives. As such, since 2009 DFS has undergone a program to implement sustainable and green initiatives in its store development and operations.

To provide a benchmark and coordinated program across its portfolio of stores, DFS has undertaken a Global Energy Audit and improvement program. This will aim to identify a baseline and key opportunities across the DFS portfolio with reporting to enable future performance to be benchmarked and improved on. A global energy monitoring system is also under review to be implemented that will enable common reporting from a central location in Hong Kong. Additionally, a Green renovation was completed in Sun Plaza Store in Hong Kong in 2010.

DFS Sun Plaza – Key Building Green Initiatives Include:

- o Energy Use & Demand – High efficiency HVAC system and low lighting system providing approximately 20% reduction in energy compared to business as usual. Low energy AC variable demand fresh air control (CO2 monitored) that reduces AC cooling loads by 20-25%.
- o Light systems were upgraded with extensive use of LED lighting and reduction in lighting power.
- o We have also engaged with vendors and undertaken green design & lighting reviews that resulted on average in 20-30% reduction in lighting power energy.
- o Energy Monitoring – an energy metering system has been installed to monitor power consumption.
- o Indoor Environmental Quality-low VOC adhesive, sealants, paints and coatings have been specified in the retail area to reduce toxic emission.
- o Embodied Energy for the store has been reduced through the use of regional material within 500 miles of the project and use of recycled construction waste materials.



### Energy Use and Demand

We will set an energy target based on the systems that can be influenced by our operation. These systems consist mostly of lighting and electronics. We will employ low energy lighting system with extensive use of LED lighting and advanced Big Foot light box units. Where possible, we will install energy metering systems to monitor power consumption.

### Indoor Environmental Quality

Low VOC adhesive, sealants, paints and coatings will be specified in the retail area to reduce toxic emissions.

### Sustainable Materials

We will optimize the use of recycled content material such as terrazzo, and maximize usage of rapidly renewable materials. When possible we will specify Forest Stewardship Council certified wood for applications such as furniture and wood doors in the retail area to reduce impacts on the environment.

### Embodied Energy

Embodied energy is defined as the sum of energy inputs for a product lifecycle including raw material extraction, transport, manufacture, assembly, installation, disassembly, deconstruction and/or decomposition. Our goal is to minimize the total embodied energy usage. For LAX, embodied energy for our stores will be reduced through the use of North American material sourced from within 500 miles of the project when possible and through recycling of construction waste materials.

### LAWA Recycling Program

LAWA has in place an industry-leading recycling program and concession operators are required in Lease Agreements to comply with LAWA regulations and develop individual recycling programs that dovetail with the airport's overall program. DFS considers recycling a critical part of its green initiatives and currently maximizes recycling efforts and will continue to do so in the next concession term.

### Maintenance Considerations

Maintenance of facilities and fixtures is not an afterthought for DFS. We have staff charged with assuring that maintenance considerations are a part of the formal store design review process from the beginning. We consider durability, specifications and ease of maintenance as critical design features and provide our operating locations with specific maintenance methodologies, recommended cleaning products and other upkeep recommendations at the time of shop implementation.

## 8.3 Our capital investment commitment (RFP Exhibit E)

To support our design and technology initiatives, DFS is committed to invest \$25,000,000 as an initial outlay for all of the LAX Duty Free shops. Additionally, we expect to reinvest \$17,000,000 over the concession term to ensure all stores are updated as we continue to grow and develop new design initiatives.

<b>EXHIBIT E</b>				
<b>CAPITAL INVESTMENT COMMITMENT FORM</b>				
Note: The total capital investment for All Terminals indicated on Line '20' MUST exceed \$18,000,000				
		"A"	"B"	"C"
		Available Square Feet (Approx) Established by LAWA	Investment Dollars Per Square Foot Proposed	Total Investment Dollar Commitment Column A multiplied by Column B
<b>TOM BRADLEY INTERNATIONAL TERMINAL AND BRADLEY WEST</b>				
1	Unit: BW-01 (within TCM Area '1')	14,005		
2	Unit BW-02 (within TCM Area '1')	9,908		
3	Unit: BW-03 (not used)	-		
4	Unit: BW-04 (not used)	-		
5	Unit: BW-05 (not used)	-		
6	Unit BW-06 (within TCM Area '1')	300		
7	Unit BW-07 (within TCM Area '1')	836		
8	<b>Subtotal - Tom Bradley International Terminal</b>	<b>25,049</b>	<b>\$ 1,261.00</b>	<b>\$ 31,586,889.90</b>
<b>TERMINAL 2</b>				
9	Unit: T2-DF1 (within TCM Area '5')	3,600		
10	Unit T2-DF2 (within TCM Area '5')	1,200		
11	<b>Subtotal - Terminal 2</b>	<b>4,800</b>	<b>\$ 1,011.00</b>	<b>\$ 4,852,802.12</b>
<b>OTHER TERMINALS</b>				
12	Terminal 1 - Unit: T1-DF ((within TCM Area '11')	1,000		
13	Terminal 3 - Unit: T3-DF (within TCM Area '13')	1,000		
14	Terminal 4 - Unit: T4J	908		
15	Terminal 5 - Unit: T5H	1,685		
16	Terminal 6 - Unit: T6-DF (within TCM Area '15')	1,000		
17	Terminal 7 - Unit: T7A	1,225		
18	Terminal 8 - Unit: T8h	975		
19	<b>Subtotal - Other Terminals</b>	<b>7,793</b>	<b>\$ 713.50</b>	<b>\$ 5,560,307.98</b>
<b>TOTAL INVESTMENT - ALL TERMINALS</b>				
20	<b>TOTAL Sum of Rows 8, 11, &amp; 19</b>	<b>37,642</b>	<b>\$ 1,115.77</b>	<b>\$ 42,000,000.00</b>
Notes: \$25,000,000 is the initial investment. An additional \$17,000,000 will be spent as mid term capital. Total investment over the 10 years is \$42,000,000				

- 8.4 Our rendered illustrations of our brands/concepts for the freestanding "island" Units provided to the DFO in TBIT/Bradley West.

The freestanding island units were removed from the RFP by addendum. However, we have included rendered drawings of all units to be developed under our proposal with the exception of the Bradley West North Concourse kiosk as specifications for this unit have not yet been defined. Floor plans for all units, including a proposed floor plan for the Bradley West North Concourse kiosk, have been included with our proposal.

- 8.5 The sources of funds to design and construct the proposed improvements, including evidencing commitments from any external funding sources cited in the proposal.

As stated in our Financial Qualifications Section, we fund 100% of our capital investments from cash flow. No debt is used.

- 8.6 Our plans for each Unit demonstrating product/brand layout and square footage in support of the Proposer's Marketing and Merchandising Plan, passenger circulation/queuing and product specific design features.

Please refer to our actual plans within this section.

The development of an optimal floor plan for each shop in each terminal is as much art as science. There are various mathematical relationships to consider regarding space (linear and square footage) and sales potential. An assessment of how the physical characteristics of merchandise impact space allocations must be performed. The effect of merchandise density on sales across different merchandise categories and products is important as well. The floor plan development involves close and intense coordination with major brands. Category and product adjacencies had to be worked out. The task of developing effective floor plans is complex and the key ingredients of success are DFS' database and understanding of merchandise preferences of LAX travelers, our 30 years of experience at LAX and our 50+ years of airport retail experience overall.

At all our shops we focus on maximizing the amount of space available for merchandise presentation while minimizing the space allocated to sales support, "back-of-house" and administrative areas. This is a deliberate strategy to maximize the return in terms of airport revenue per square foot of concession space.

- 8.7 Our plan for and commitment to either annual or periodic capital investment in the individual DFO Units which exceeds the minimum mid-term refurbishment requirement defined in the Agreement.

As stated in 8.3, we will invest \$17,000,000 over term in capital refurbishments designed to enhance our stores and react to any changes in terminal configuration and passenger flow or characteristics.

Maintaining our stores is critical to the customer experience. On a daily basis our in-store teams go through a rigorous checklist to ensure our stores meet our standards. On a quarterly basis our senior executives from both Los Angeles and Hong Kong also walk the stores. If following these store reviews we feel that we are not meeting our customer's needs or there is a lost revenue opportunity we act immediately.

A recent example of this followed after our CEO walked through the spirits world at Tom Bradley. He challenged us to improve the customer experience and this resulted in a \$500,000 renovation of that section of the store. Another example is our plan to invest \$12 million to renovate our stores on the A and G Piers of the International Terminal in San Francisco. This renovation is not driven by a compulsory investment requirement, but by our desire to always be the best. Our store improvements are funded from working capital, so we are not limited to only reinvesting when our agreements require it, but rather that we can and do make continuous improvements in our stores.

**8.8 How we intend to manage the design and construction of the improvements including our internal management capabilities, other in-house resources or outside service providers.**

We will bring an exceptionally experienced project management team to guide the implementation of the duty free shops and manage the capital investments at LAX. The team approach is the key to the way DFS addresses the design and implementation of the LAX shops. We integrate the store designers, architect of record, construction management, and general contractor and DFS personnel into one seamless group to accomplish our goals effectively and efficiently with the lowest risk to all airport stakeholders. Please see the exhibit supplied by Altus at the end of this section.

### **DFS ADVANTAGES**

DFS offers significant benefits to LAWA in the area of facilities improvements and management of the capital investments. DFS and its team members have in-depth knowledge of the policies and procedures pertaining to construction at LAX. That means that no time is lost due to on-the-job training. It means we can hit the ground running on shop implementation and, if approved by LAWA, actually accelerate the re-development of some of the existing facilities ahead of the schedule set forth in the RFP. It also means a higher likelihood that all schedules will be met and the negative impact on revenues caused by operating in temporary facilities will be minimized.

### **KEY PARTIES**

#### **DFS Project Leader**

Representing DFS' global store design and development department will be Bryon Lee. Bryon will be relocating from Hawaii to Los Angeles for the duration of the project. Bryon has over 30 years of professional store design experience focusing on airports.

Bryon's role will be the overall supervision of the shops implementation program. He will be the point of contact, interfacing between the major brands, design firms, the architect of record, the general contractor, DFS and project management specialists Altus Group with whom we will contract to manage the construction process.

Bryon will be supported by the DFS Corporate Store Design team - led by Vice President of World-Wide Store Design Linda Kreuger and our Corporate Store Development team - led by Vice President of World-Wide Store Development Kevin Tranbarger. Resumes for Linda, Kevin and Bryon are included as an exhibit at the end of this section.





### Architects of Record

We will use two firms as Architects of Record for the LAX facilities implementation: Gin Wong Associates and Leo A. Daly. Gin Wong Associates will be the Architect of Record for the TBIT and Terminal 2 work while Leo A. Daly will fulfill that function for work in all other terminals. Gin Wong Associates headquarters are in the City of Los Angeles while Leo A. Daly has had a major Los Angeles presence since 1969. Both firms are well-known to LAWA and are highly experienced in LAX-specific work.

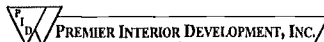
### Construction Management Group

DFS has a longstanding relationship with Altus Group, one of the fastest growing, globally aware and innovative industry service consultants with an extensive background of projects and a proven successful track record of managing the construction of elite level airport retail shops and boutiques. Over the past 3 years, Altus Group has been commissioned on over 350 boutique stores worldwide. Please refer to the summary of capabilities statement prepared by Altus Group for DFS which is included as an exhibit at the end of this section of our proposal.

DFS' relationship with Altus Group goes back nearly ten years during which time DFS and Altus Group have worked on store development projects totaling over \$100 million. The three person team that Altus Group will assign to the LAX shop construction and implementation work has been together as a group for over five years working on DFS projects in Hawaii and elsewhere. Altus Group will relocate the three professionals, currently in Hawaii, to Los Angeles for the duration of the project. They will have at their disposal the full resources of Altus Group's 30 member Los Angeles branch office. (Copies of the Altus Group members' resumes are included as exhibits.)

One critical aspect of Altus Group's responsibilities is risk management which means assuring that the elements of time, cost and quality are all optimized. Risk management manifests itself in making sure schedules are met, costs are controlled, problems are anticipated, identified and solved and changes incorporated with the least fuss and least disruption.

Altus Group will also have oversight of the general contractor and subcontractors to assure their compliance with DFS' global goals and policies regarding sustainability, energy efficiency, recycling and eco-sensitivity.



### General Contractor

Our GC will be Premier Interior Development. DFS' relationship with Premier Interior Development at LAX goes back to our first remodeling of the stores after acquisition of the duty free concession from Host International in 1982. We have also worked together on projects at several other North America airports since then. Premier Interior Development is based in the City of Los Angeles and has up to date knowledge of LAWA's requirements governing shop construction at LAX and an already badged team who understands its way around the airport.

**8.9 Our detailed development plans of sufficient detail for LAWA to understand our capacity and commitment to develop Units in Bradley West on an accelerated development and construction schedule.**

Unlike typically phased projects, our team approach has all members involved collaboratively in all steps of the implementation. This allows problem areas to be anticipated and changes made incrementally rather than waiting for an entire project phase to be completed before letting other project members review the work. A good example is the relationship between initial design and value engineering phases. Typically the store designers complete their entire conceptual and design plan before subjecting it to a cost assessment which then results in an extended period of value engineering. In our approach, all team members are evaluating the design concepts from the start to make sure they conform to cost constraints. Our approach leads to faster implementation and better cost controls.

In addition to process advantages, DFS' project team is very knowledgeable about local market conditions for goods and services. We know the best and most reliable millwork sources, we know about local building codes and airport-specific requirements. We know about the challenges of working at LAX and are therefore best positioned to forecast where problems may arise and how to avoid the pitfalls.

Included as an exhibit [Exhibit E8.8] is a presentation prepared by Altus Group that addresses in detail the following key aspects of the facilities implementation program at LAX:

- ⊗ Early mitigation of design risk
- ⊗ Feasibility Study
- ⊗ Design Review
- ⊗ Procurement methodology
- ⊗ Tender and Procurement
- ⊗ Site Control to / from site for construction crews & materials
- ⊗ Authority Submissions – timely and accurate submissions to LAWA
- ⊗ Project Management

**Facilities Implementation Schedule**

Attached as an exhibit [Exhibit E8.9] at the end of this section is a detailed construction and implementation schedule.

**8.10 Our design intent for the following:**

**8.10.1 TOM BRADLEY INTERNATIONAL TERMINAL,  
TERMINAL 2**

**8.10.2 TERMINALS 1, 3, 4, 5, 6, 7 AND 8.**



UNIT BW-01

TBIT BRADLEY WEST – BEAUTY, SPIRITS, WINE, TOBACCO & FOOD



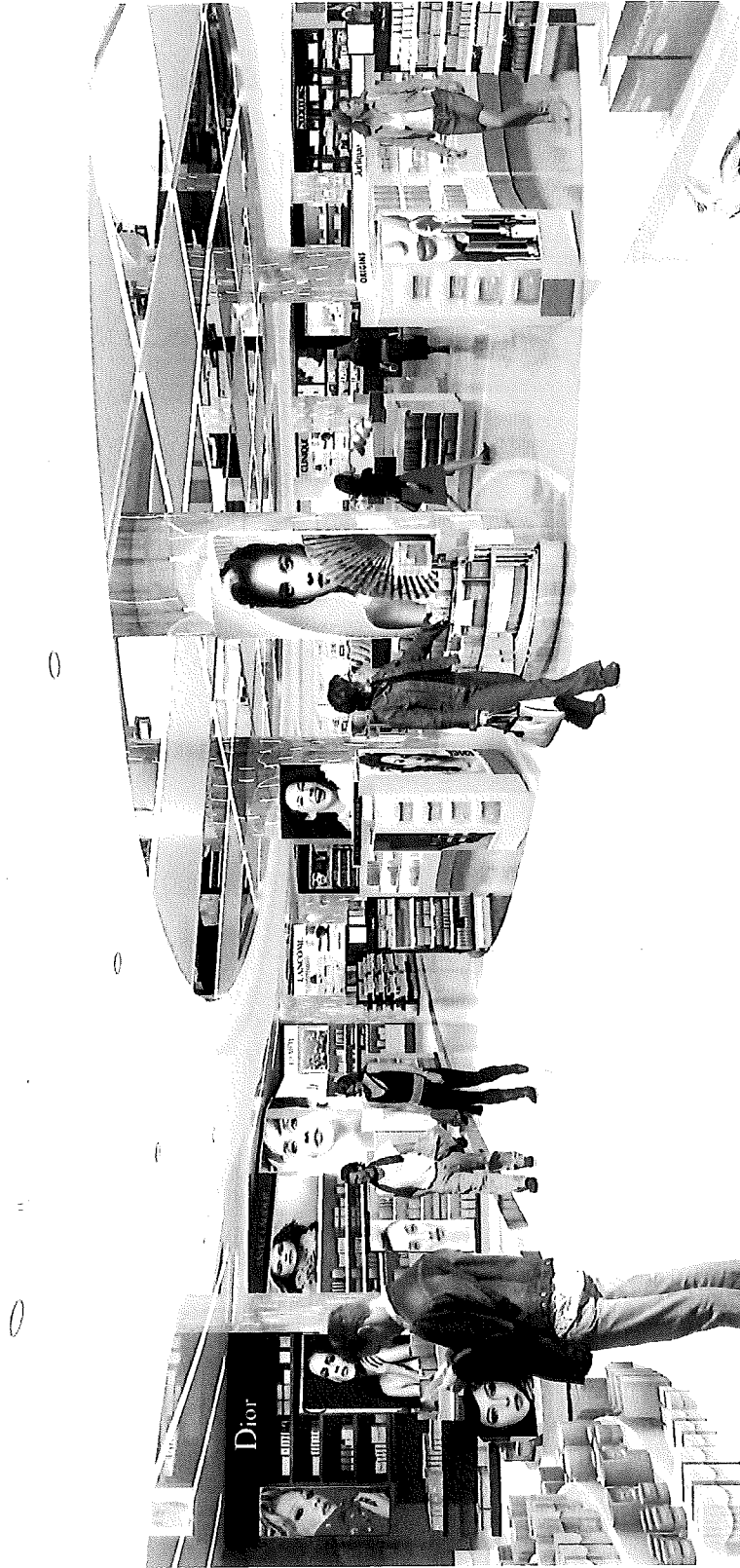
UNIT BW-01

TBIT BRADLEY WEST – BEAUTY, SPIRITS, WINE, TOBACCO & FOOD



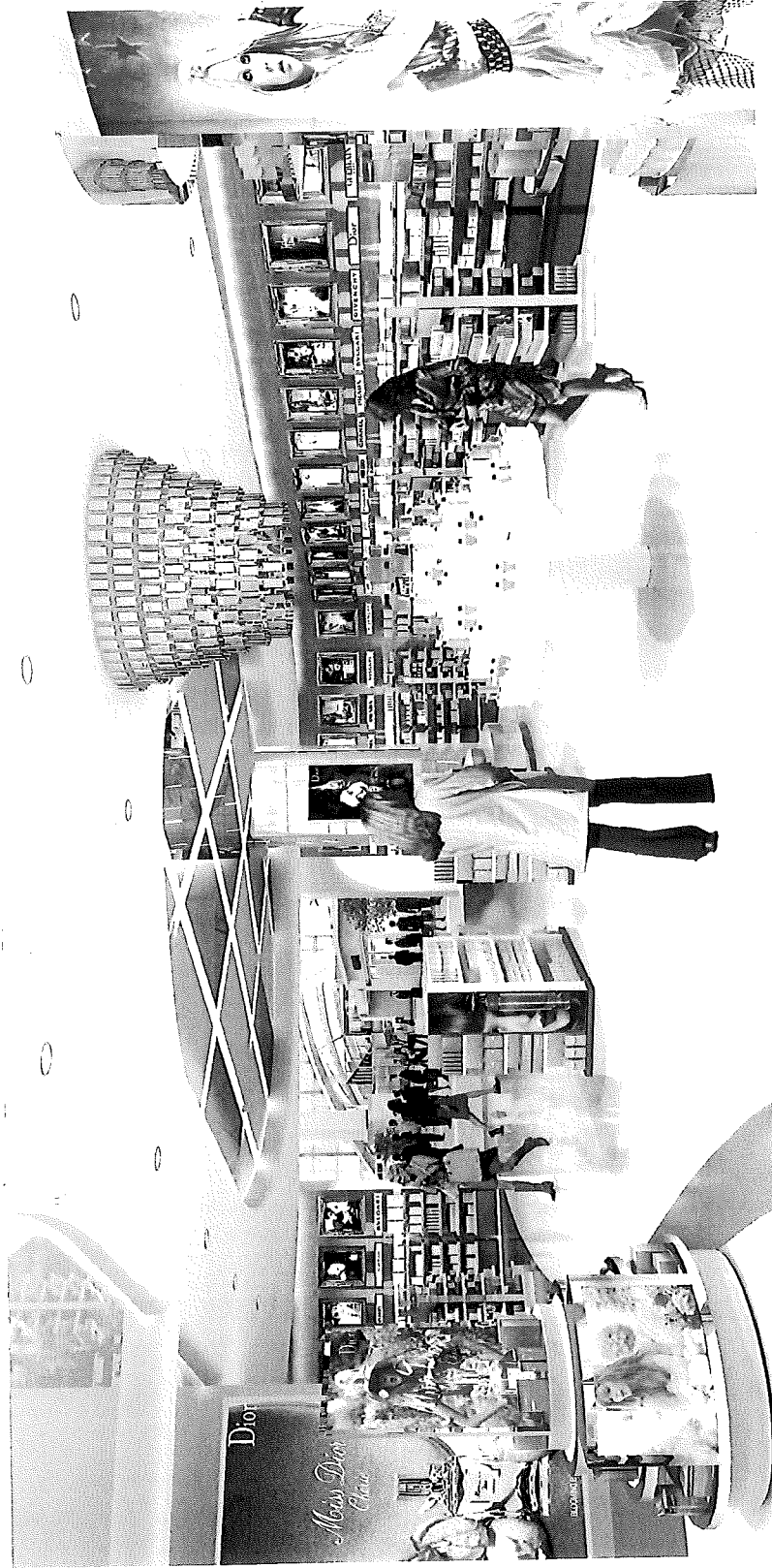
UNIT BW-01

TBIT BRADLEY WEST – BEAUTY, SPIRITS, WINE, TOBACCO & FOOD

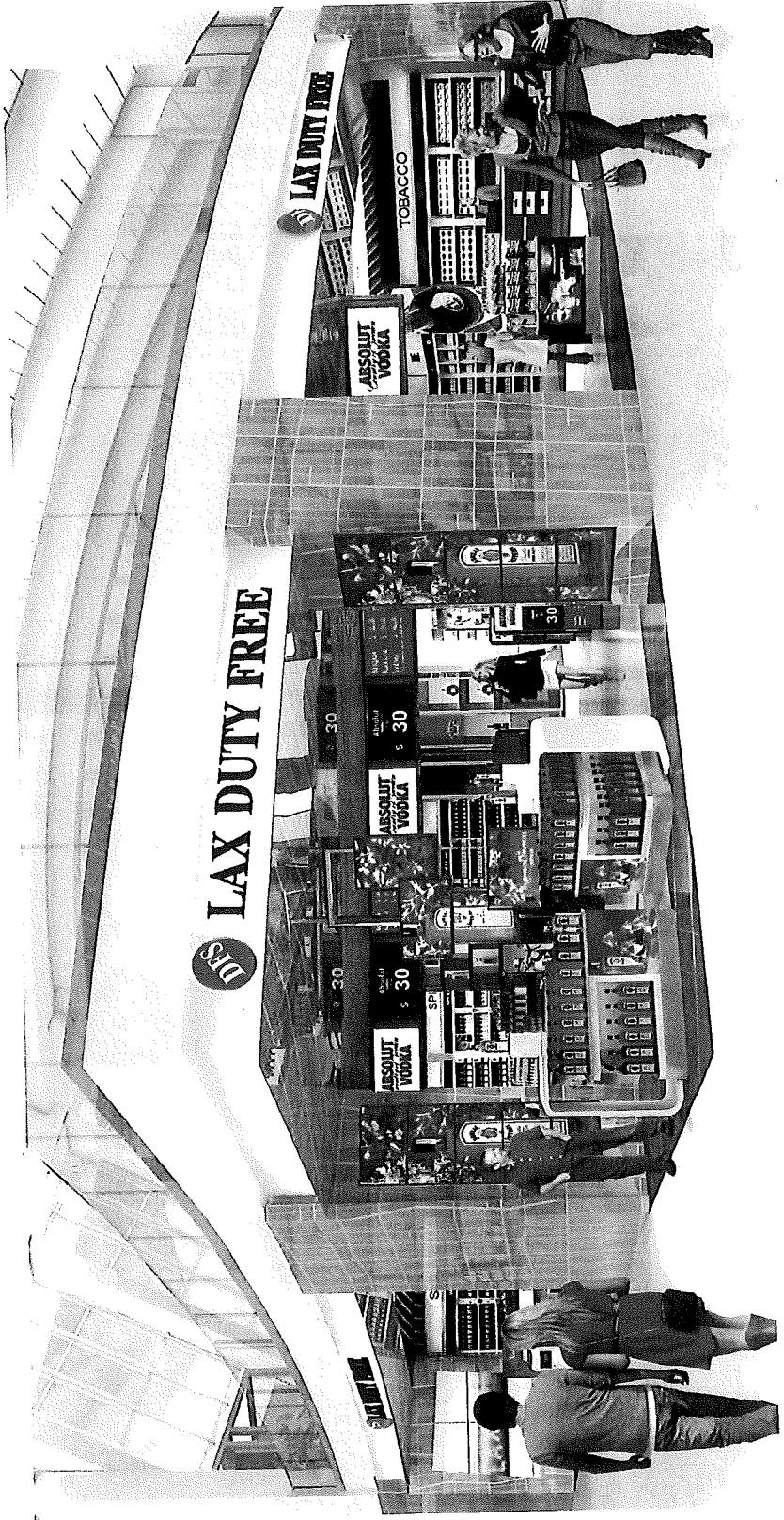


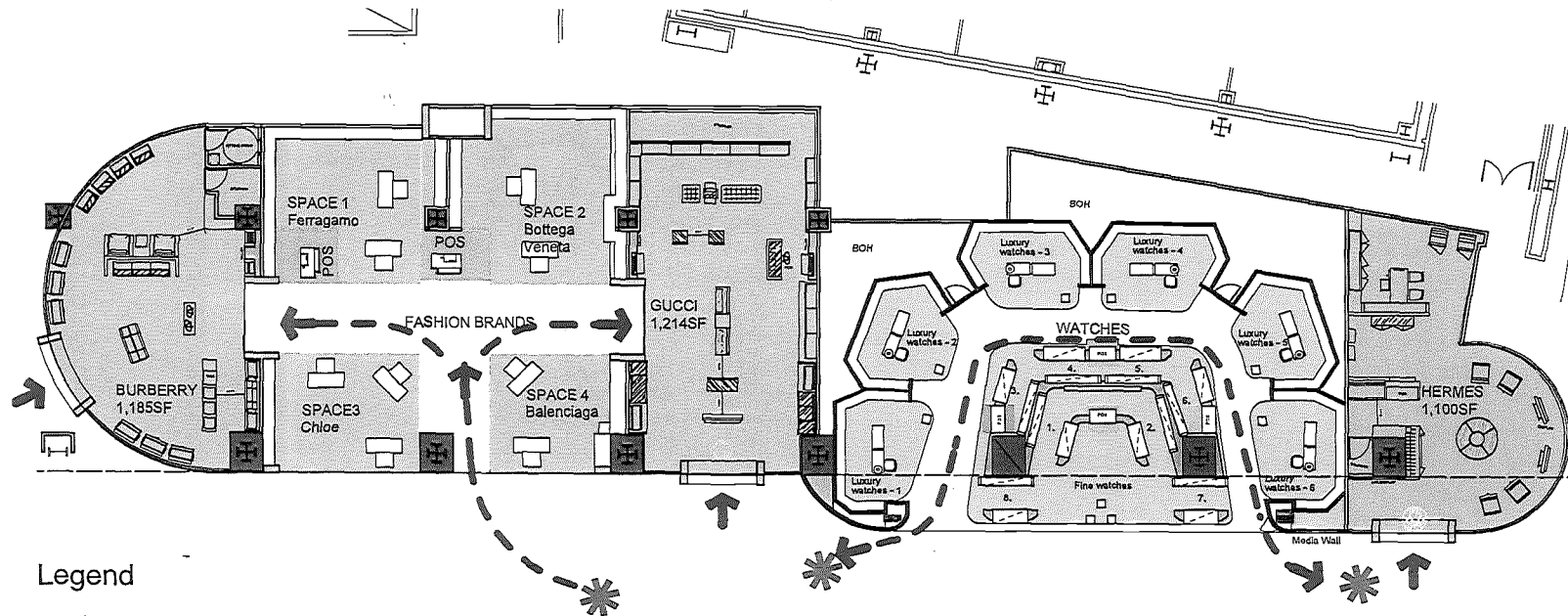
UNIT BW-01

TBIT BRADLEY WEST - BEAUTY, SPIRITS, WINE, TOBACCO & FOOD



UNIT BW-01  
TBIT BRADLEY WEST – BEAUTY, SPIRITS, WINE, TOBACCO & FOOD





Legend

- - -> Customer Traffic

\* Entry

● Fashion

● POS

● Watches

UNIT BW-02

TBIT BRADLEY WEST – FASHION & WATCHES



UNIT BW-02

TBIT BRADLEY WEST – FASHION & WATCHES



Legend

---➔ POS Queuing direction

---➔ Customer Traffic

✱ Entry

● Food

● POS

● Kiosk Signage

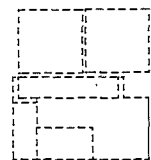
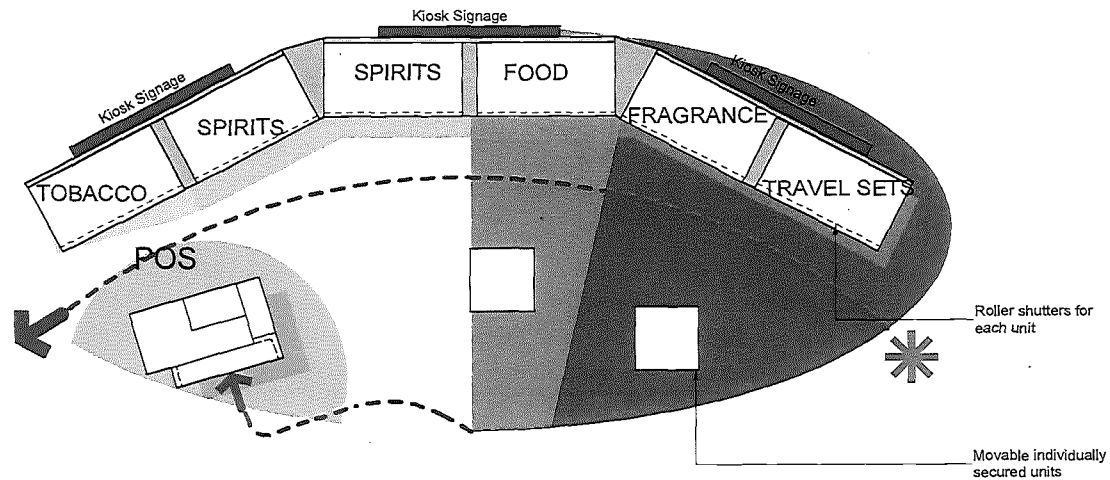
● Fragrance

● Cosmetics

Wine









Tobacco

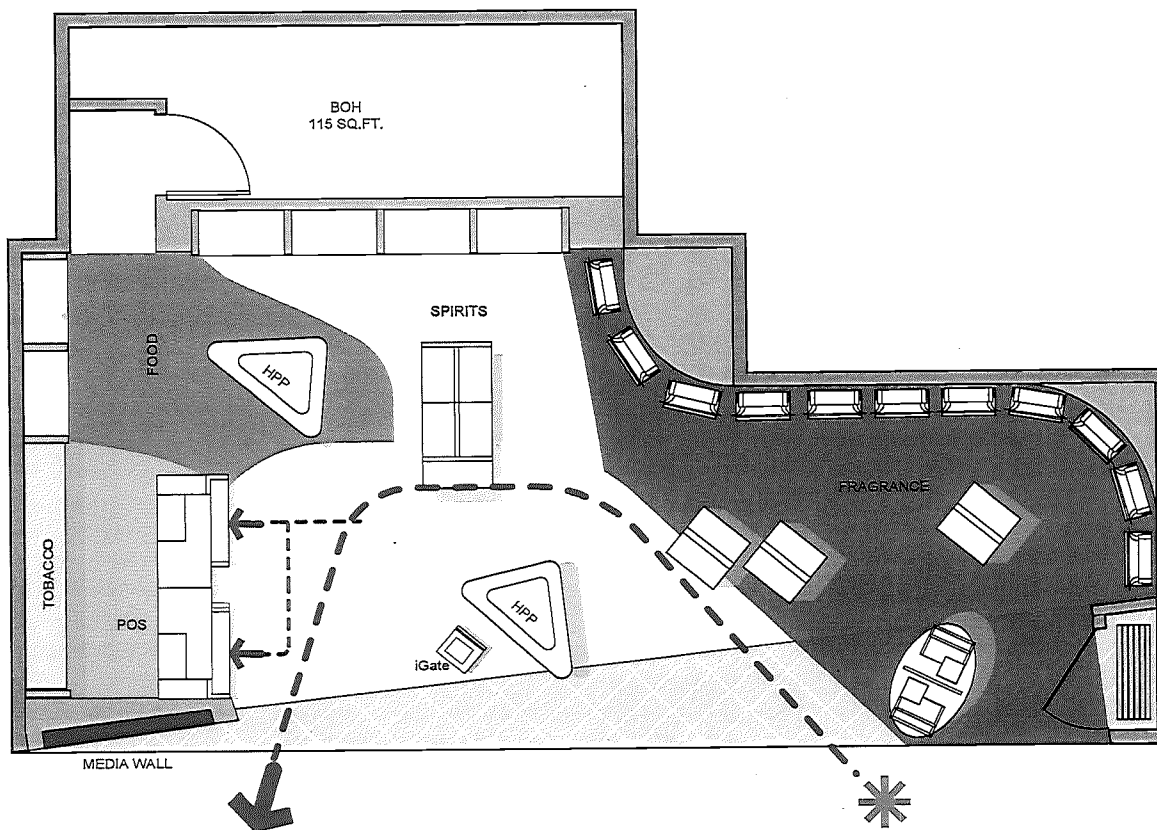
Spirits



POS and fixture lock up position at right

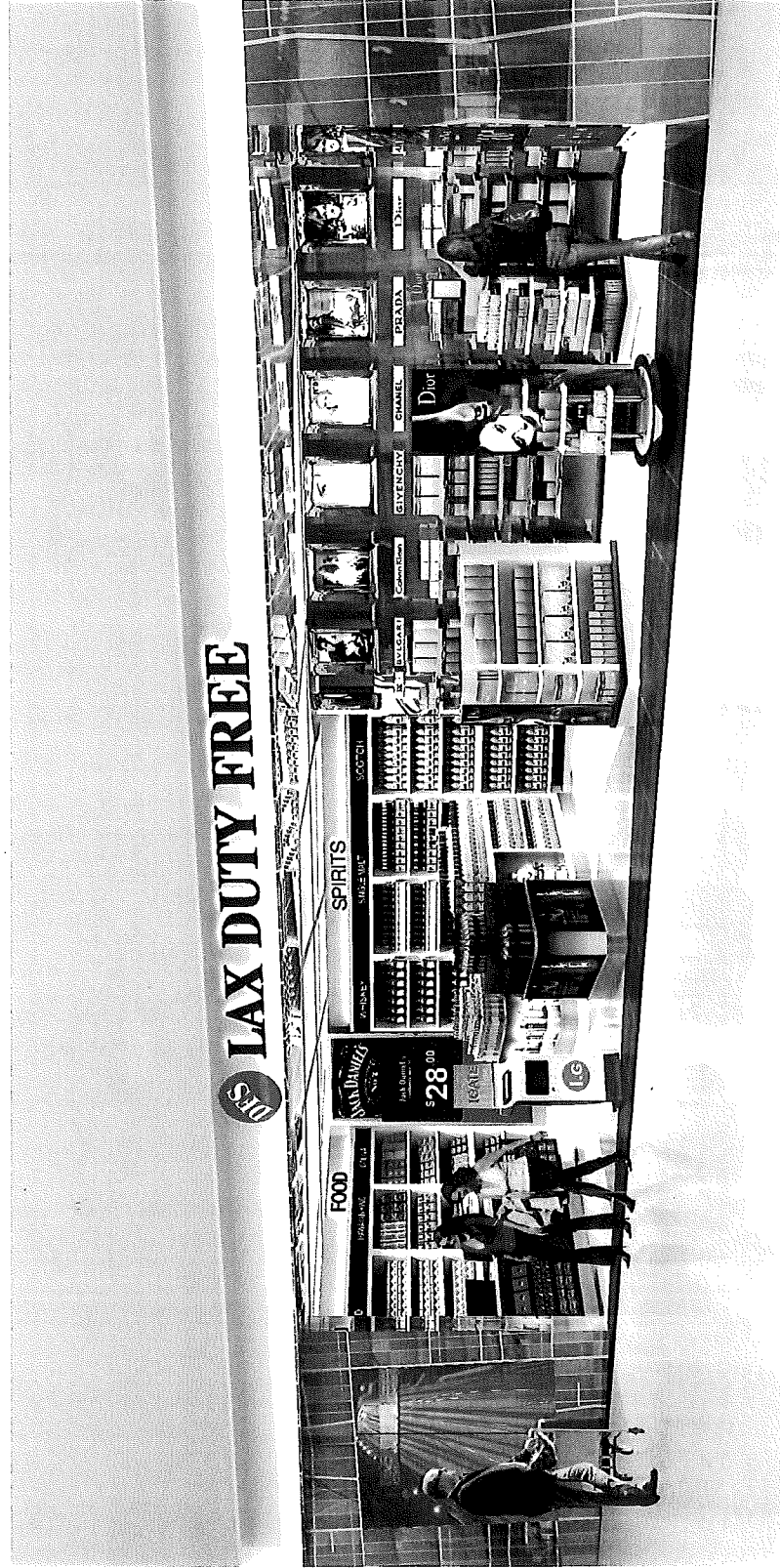
Legend

-  POS Queuing direction
-  Customer Traffic
-  Entry
-  Food
-  POS
-  Media Wall
-  Fragrance
-  Cosmetics
- Wine
- Tobacco
- Spirits

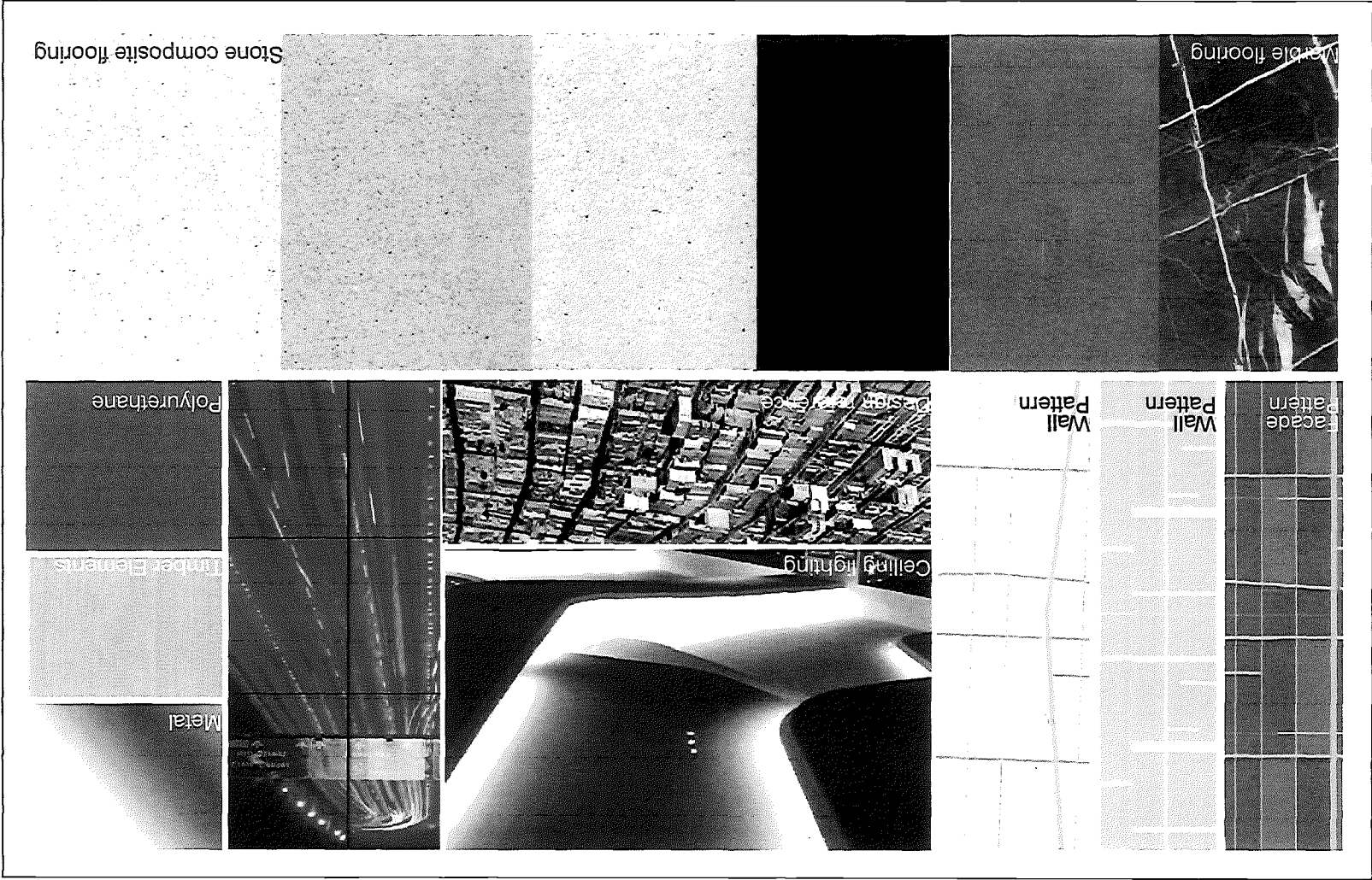


UNIT BW-07










TBIT BRADLEY WEST – SOUTH CONCOURSE

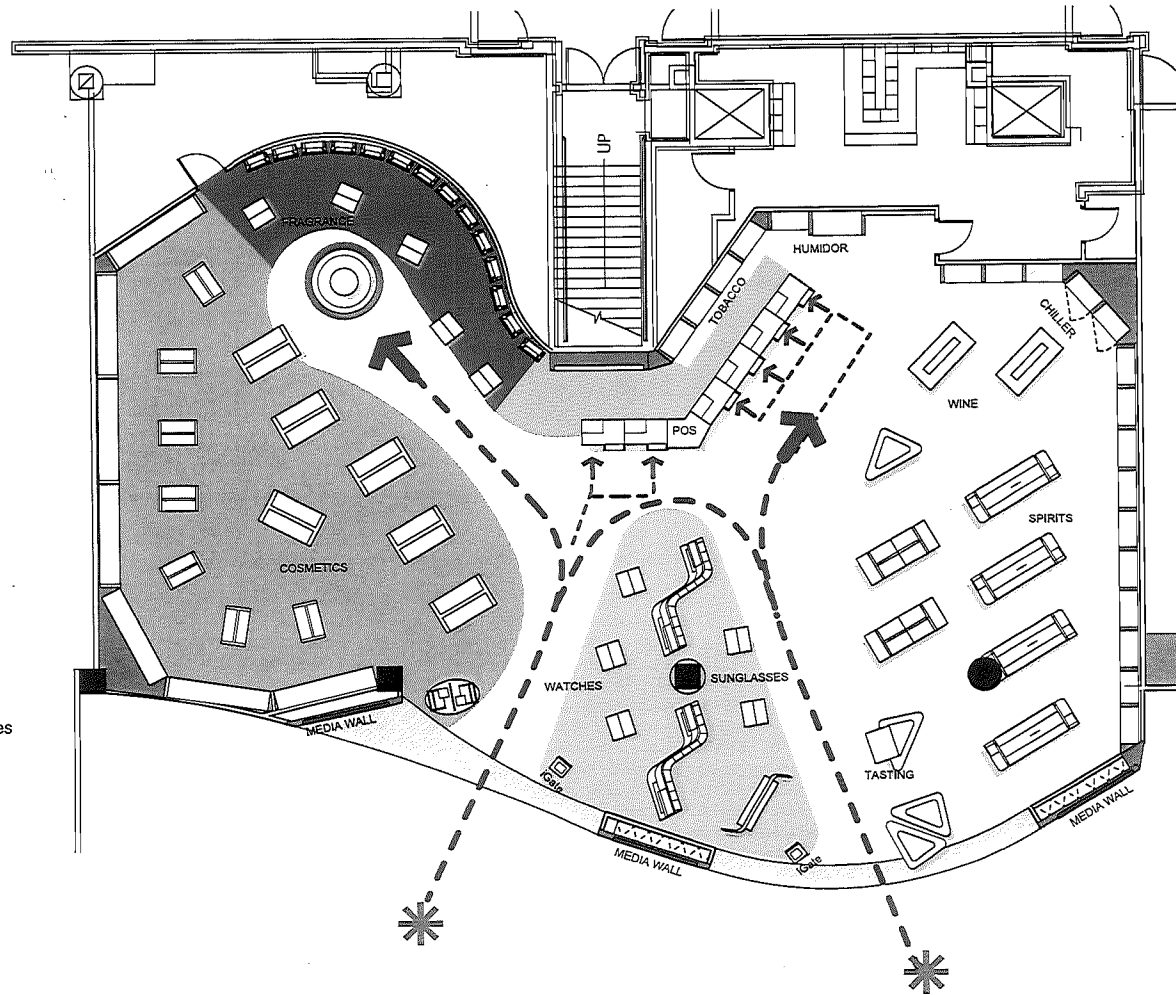


MATERIAL BOARDS  
TBIT BRADLEY WEST



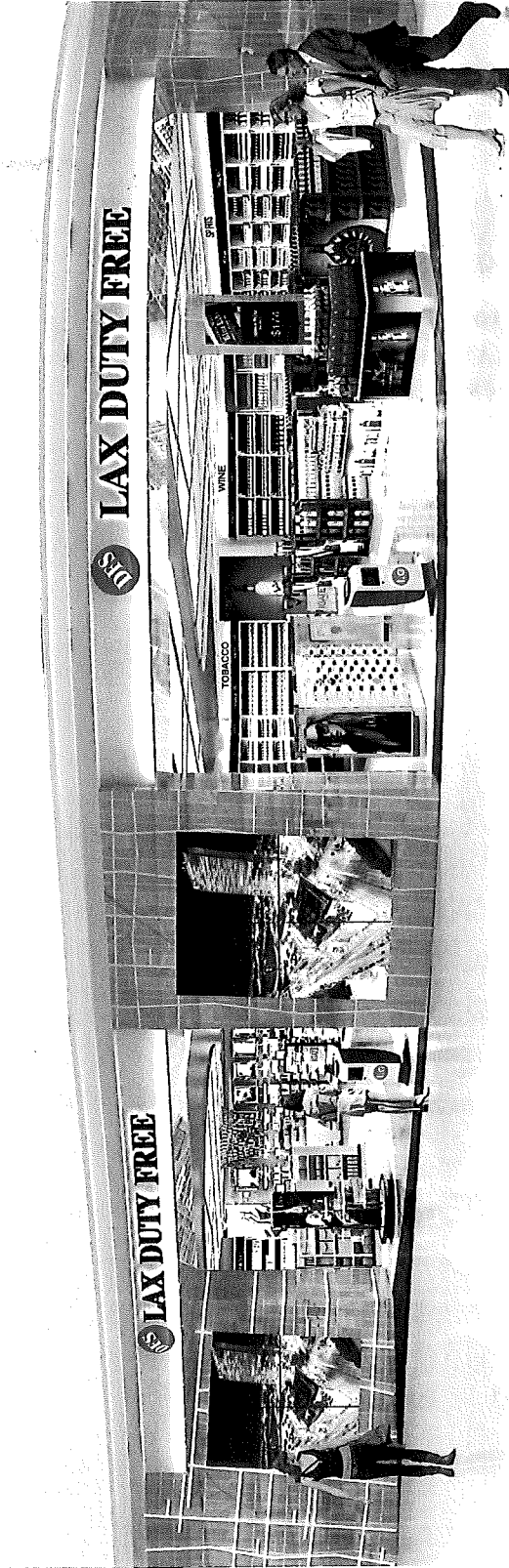
Legend

-  POS Queuing direction
-  Customer Traffic
-  Entry
-  Food
-  POS
-  Media Wall
-  Fragrance
-  Cosmetics
- Wine
- Tobacco
- Spirits
-  Watches & Sunglasses



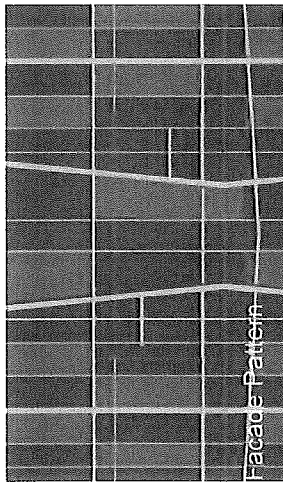
TERMINAL TWO

UNITS T2-DF1/DF2

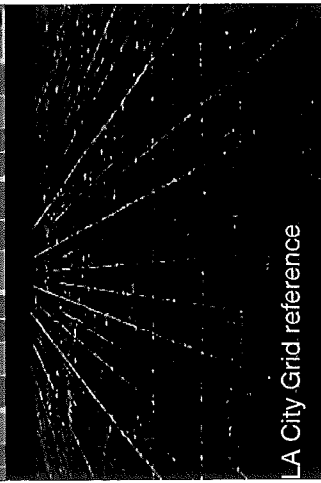


MATERIAL BOARDS

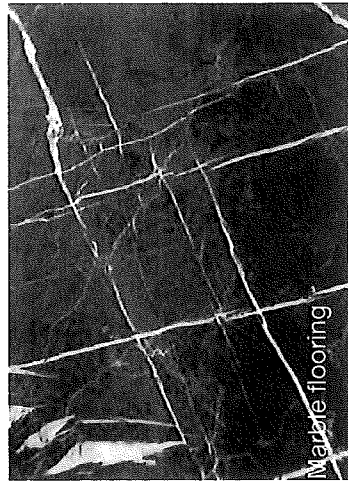
TERMINAL TWO



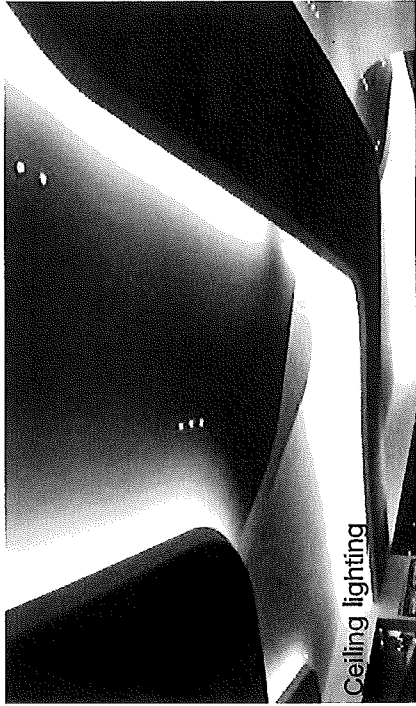
Facade Pattern



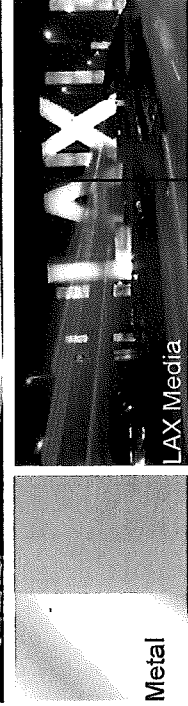
LA City Grid reference



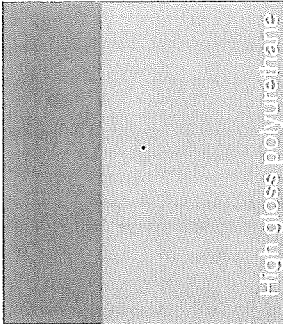
Marble flooring



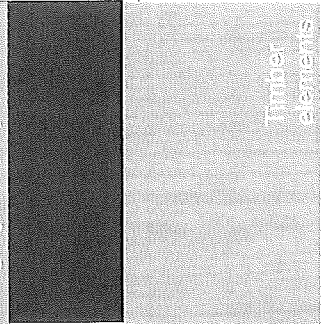
Ceiling lighting



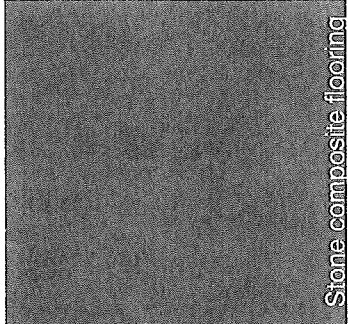
Metal



High gloss polyurethane











Timber elements

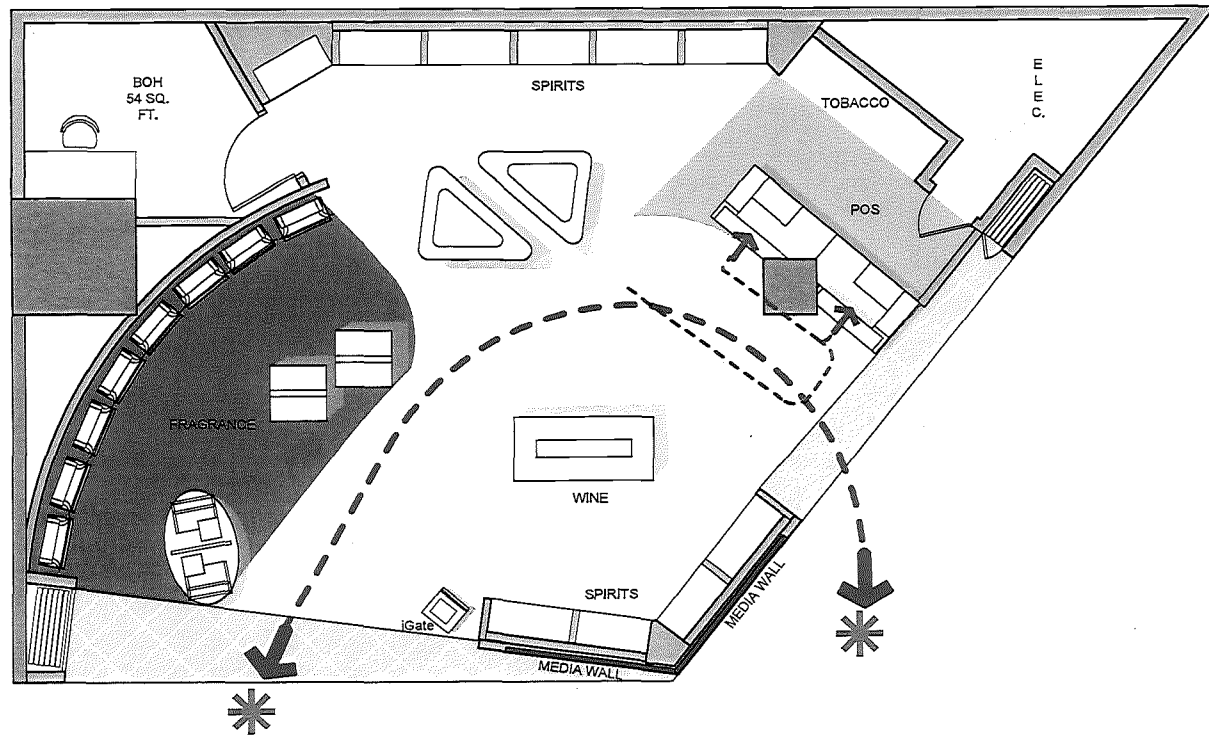


Stone composite flooring



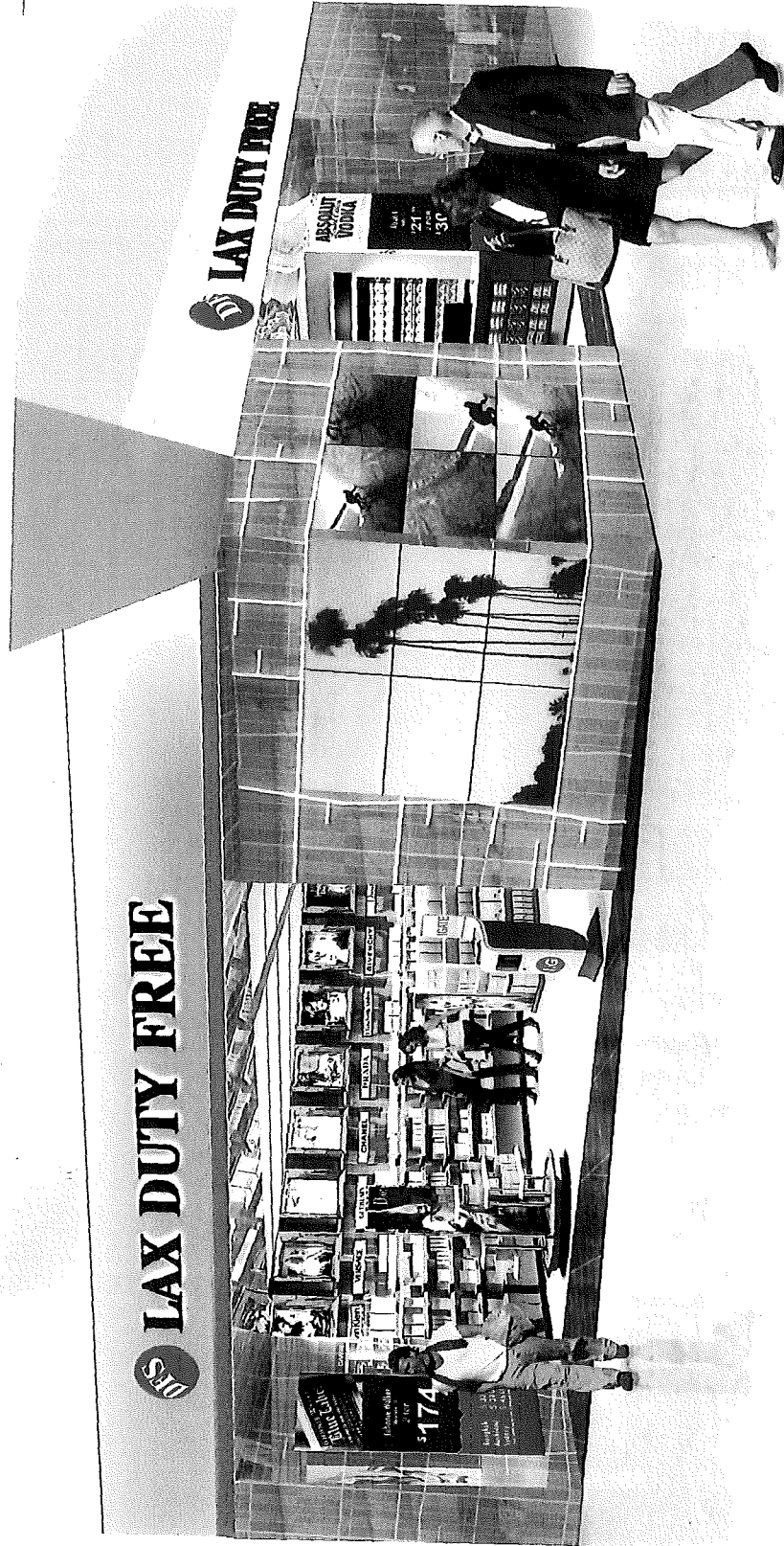
Legend

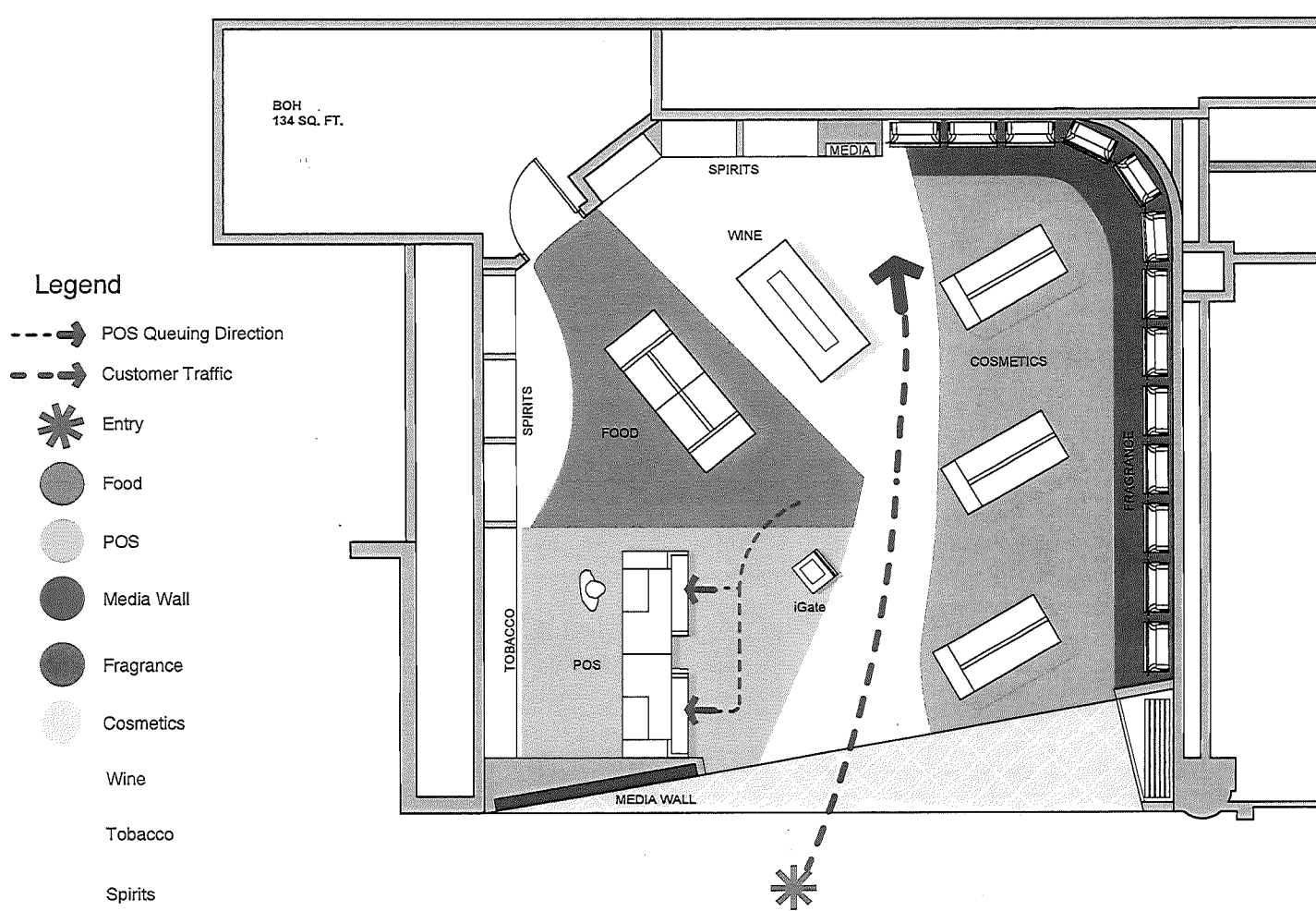
-  POS Queuing direction
-  Customer Traffic
-  Entry
-  Food
-  POS
-  Media Wall
-  Fragrance
-  Cosmetics
- Wine
- Tobacco
- Spirits



UNIT T3-DF

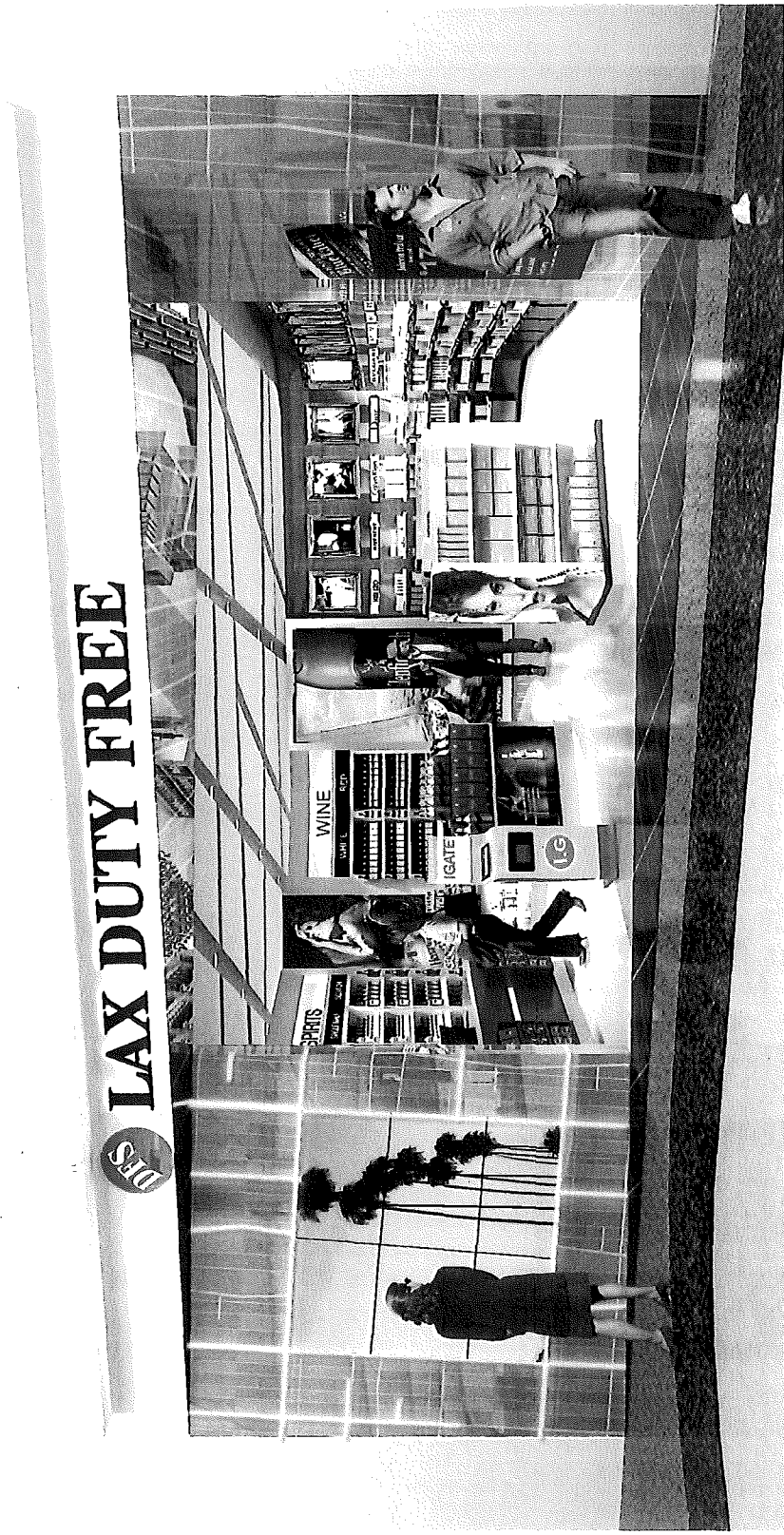
TERMINAL THREE













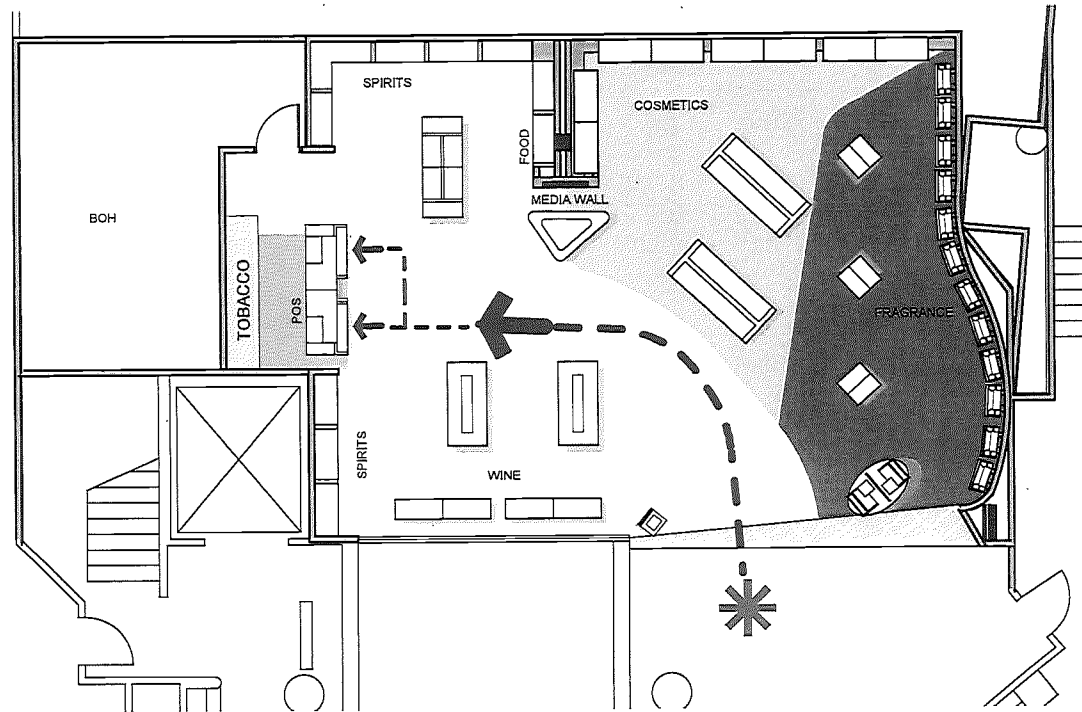
UNIT T4J

TERMINAL FOUR



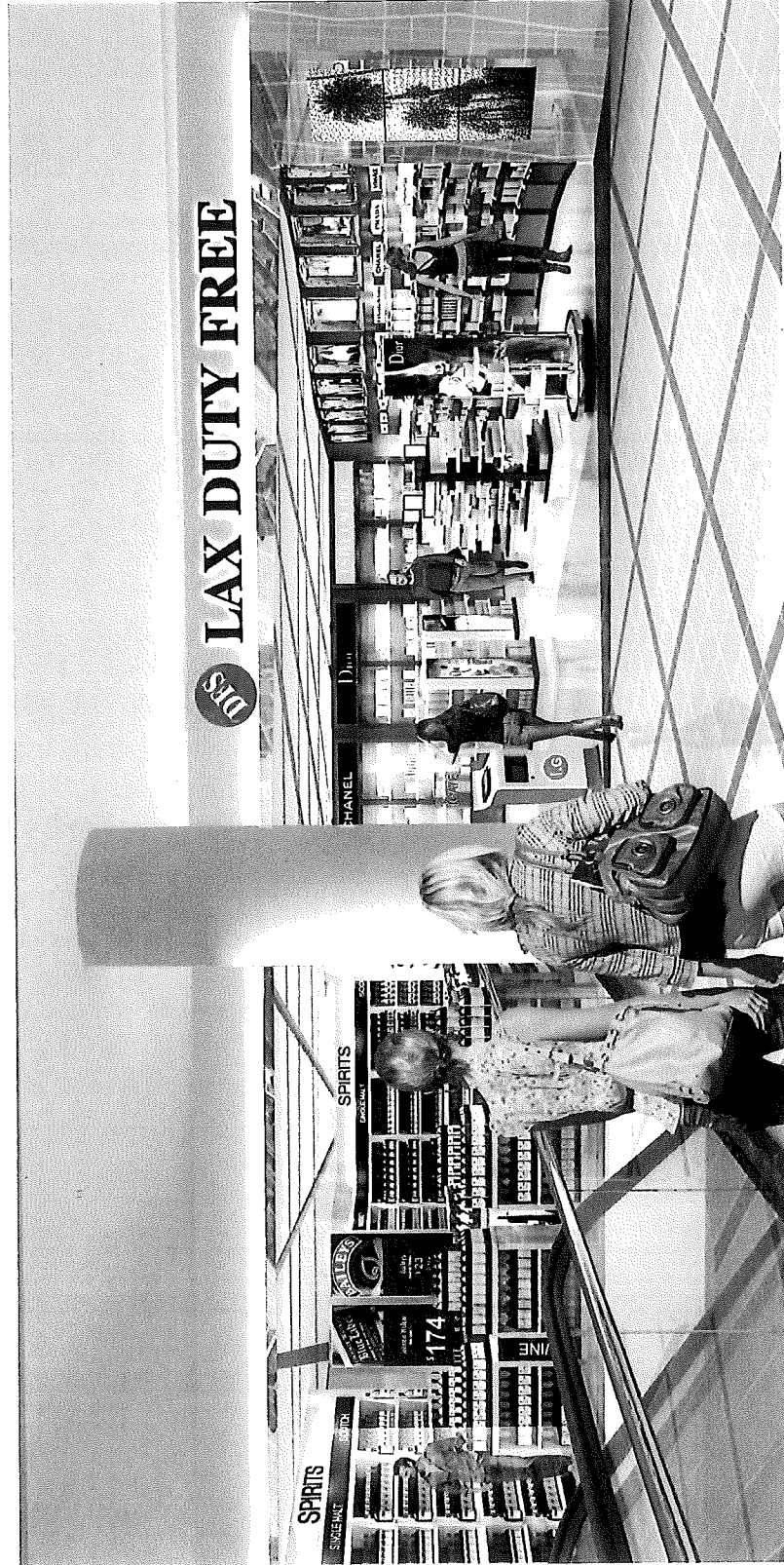
Legend

-  POS Queuing direction
-  Customer Traffic
-  Entry
-  Food
-  POS
-  Media Wall
-  Fragrance
-  Cosmetics
- Wine
- Tobacco
- Spirits











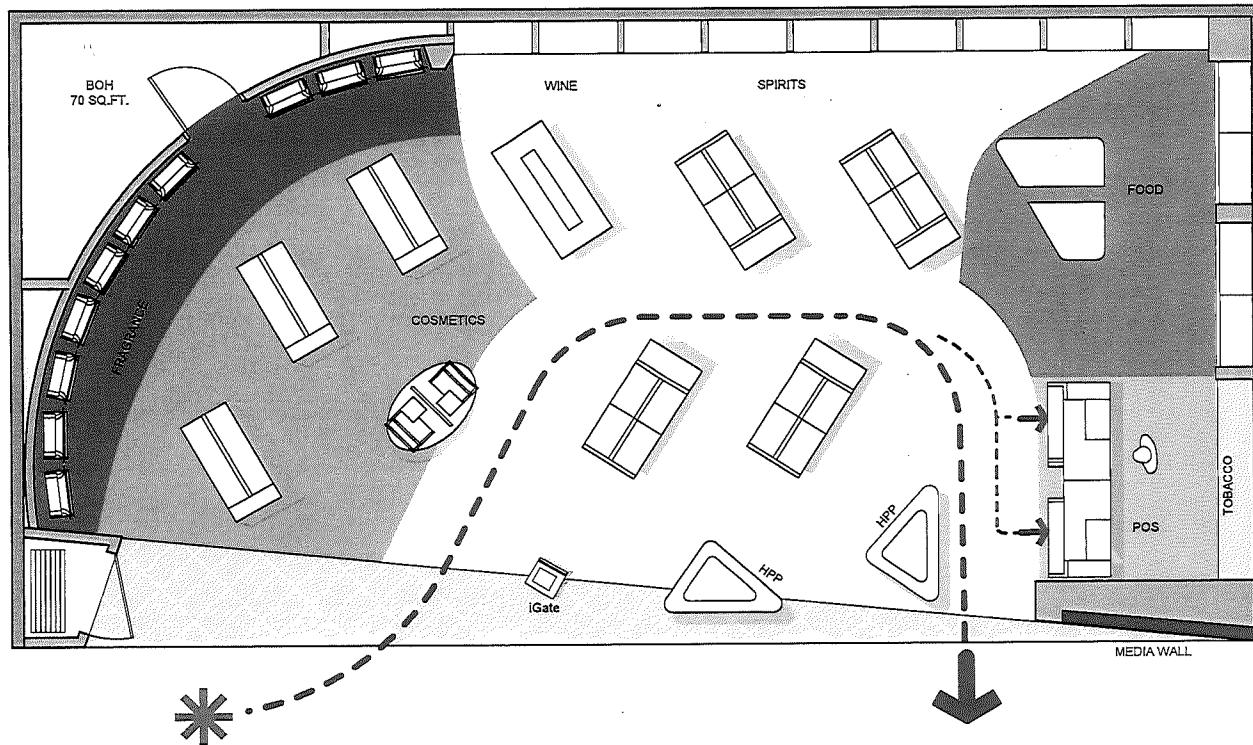
UNIT T5H

TERMINAL FIVE



Legend

-  POS Queuing direction
-  Customer Traffic
-  Entry
-  Food
-  POS
-  Media Wall
-  Fragrance
-  Cosmetics
- Wine
- Tobacco
- Spirits



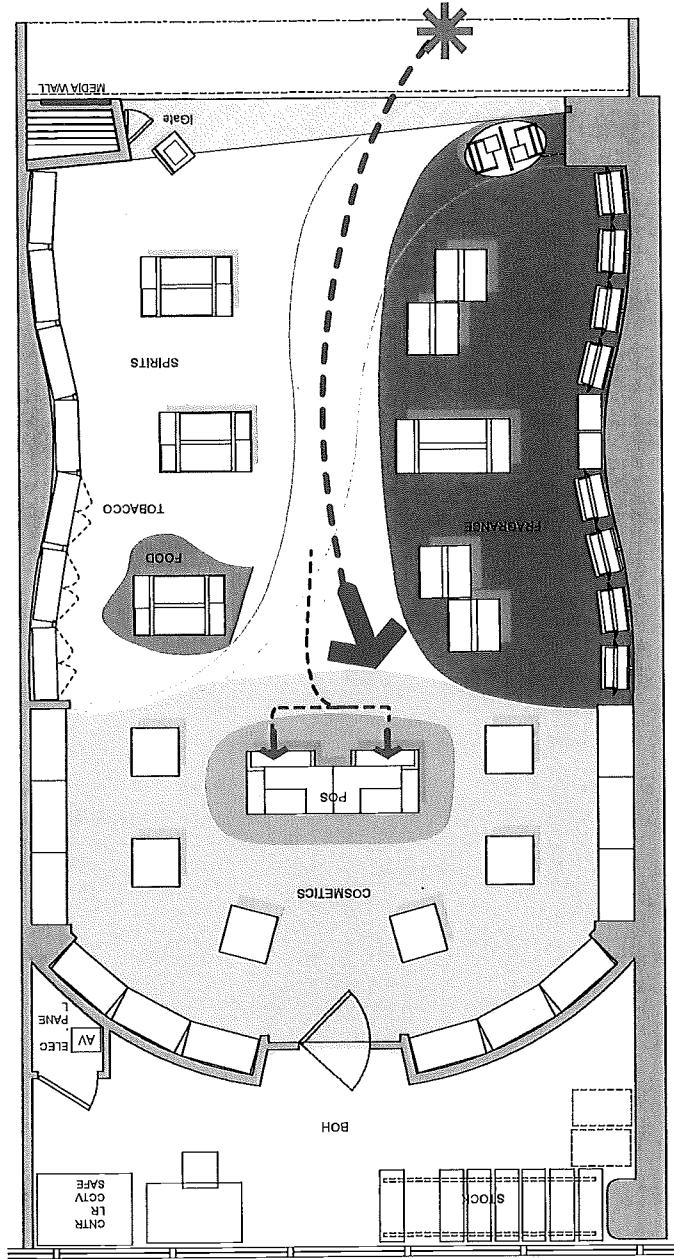
UNIT T6-DF

TERMINAL SIX



UNIT T7A

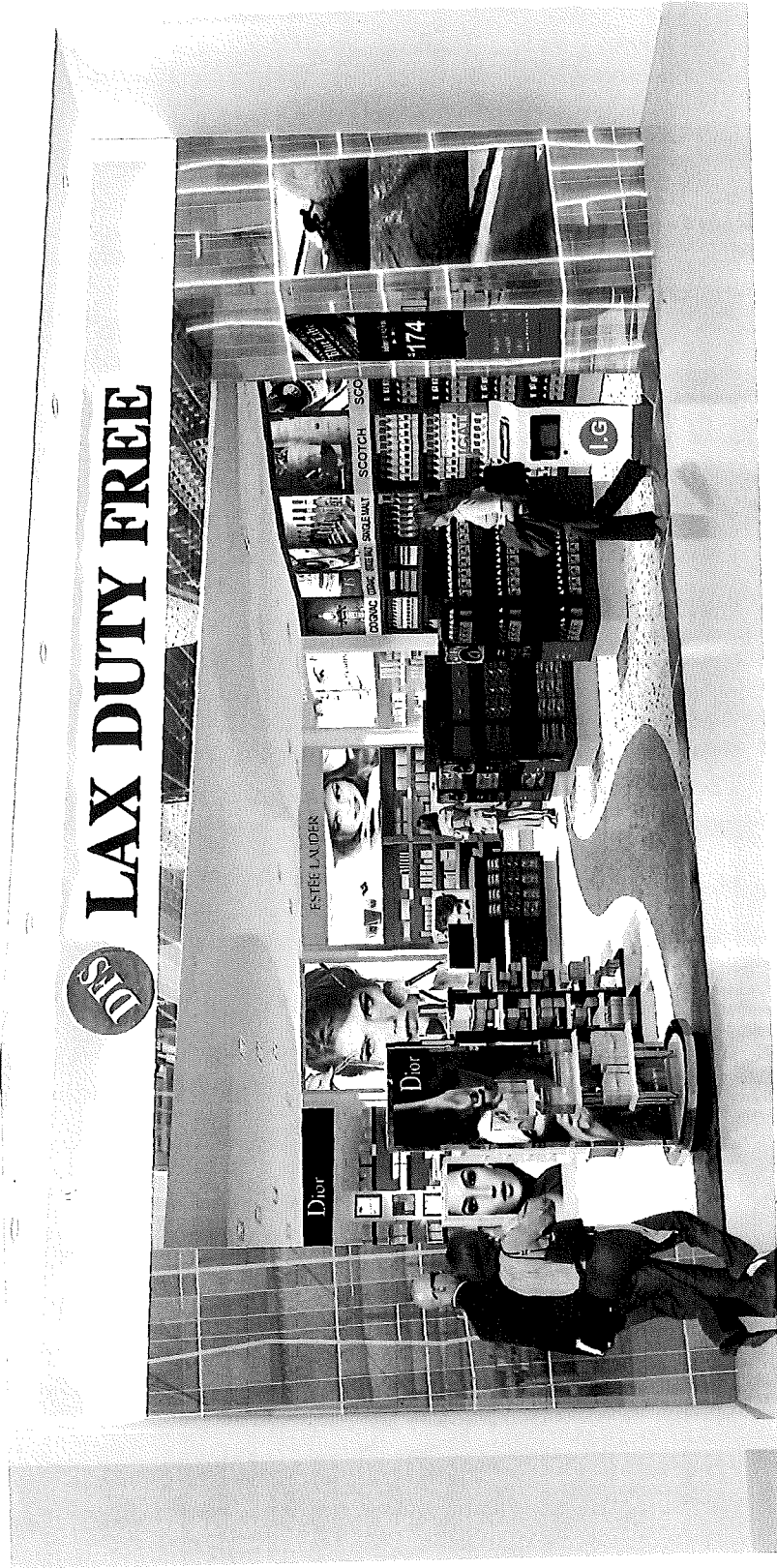
TERMINAL SEVEN



- Legend**
- POS Queuing direction
  - Customer Traffic
  - ★ Entry
  - Food
  - POS
  - Media Wall
  - Fragrance
  - Cosmetics
  - Wine
  - Tobacco
  - Spirits

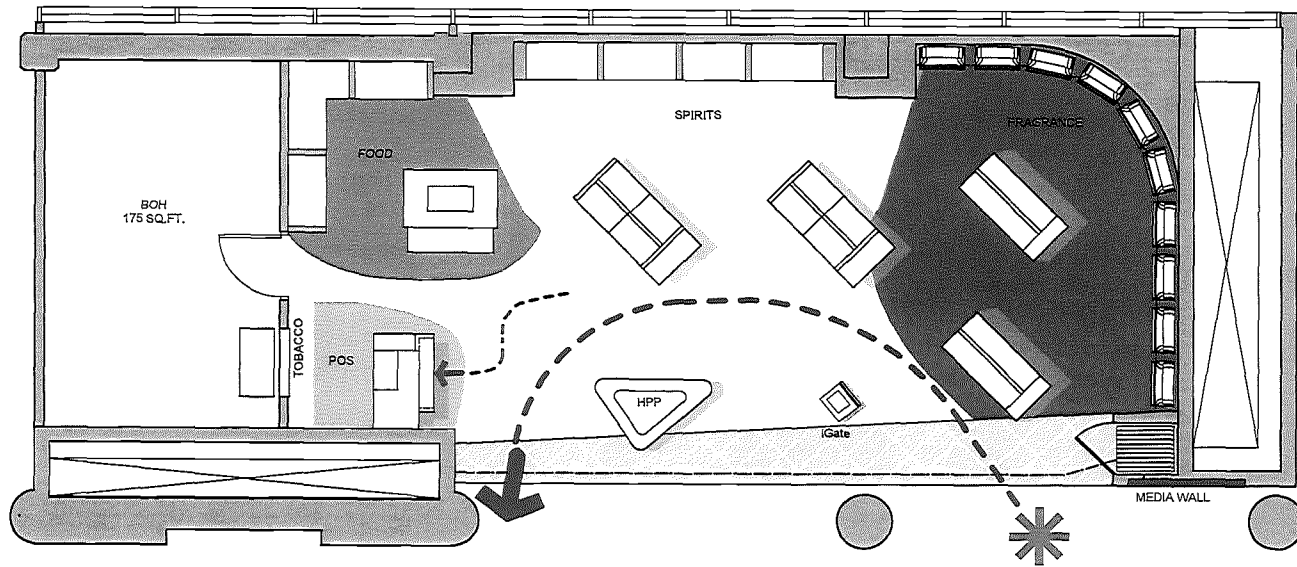
UNIT T7A

TERMINAL SEVEN



Legend

- - -> POS Queuing direction
- - -> Customer Traffic
- \* Entry
- Food
- POS
- Media Wall
- Fragrance
- Cosmetics
- Wine
- Tobacco
- Spirits











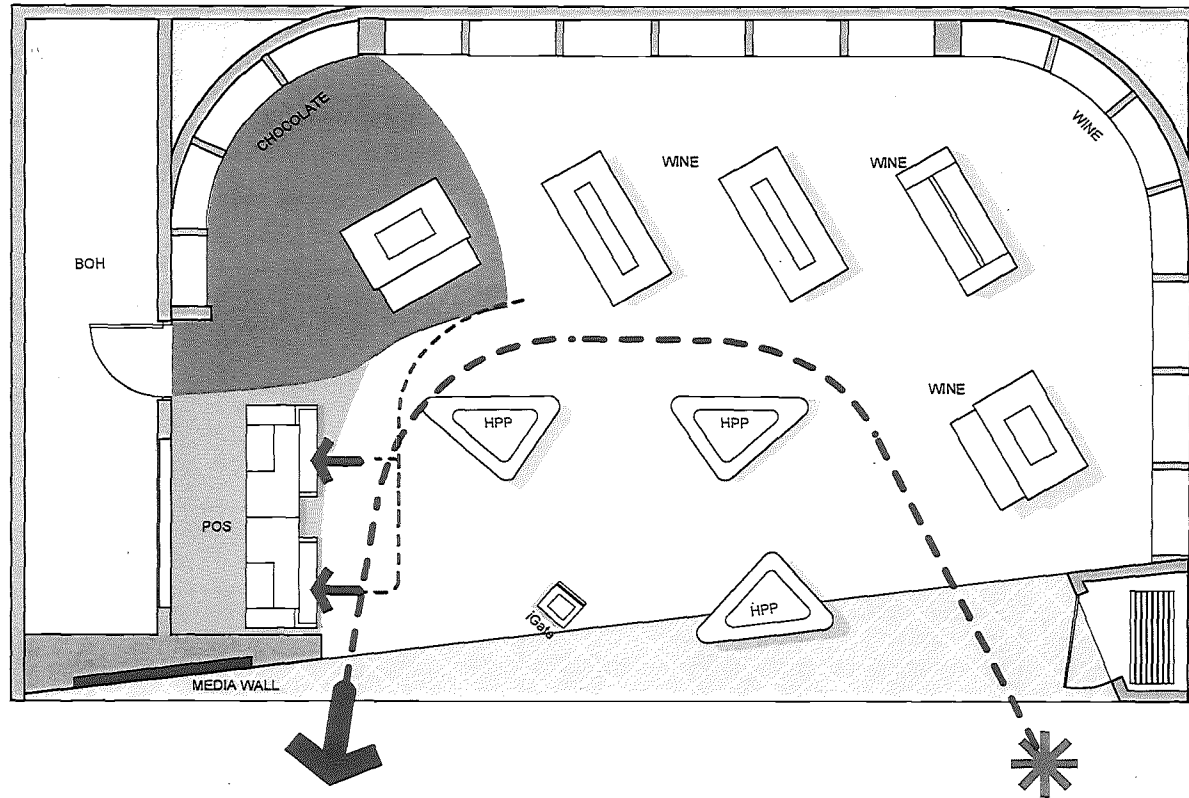
UNIT T8H

TERMINAL EIGHT



Legend

-  POS Queuing Direction
-  Customer Traffic
-  Entry
-  Food
-  POS
-  Media Wall
-  Fragrance
-  Cosmetics
- Wine
- Tobacco
- Spirits

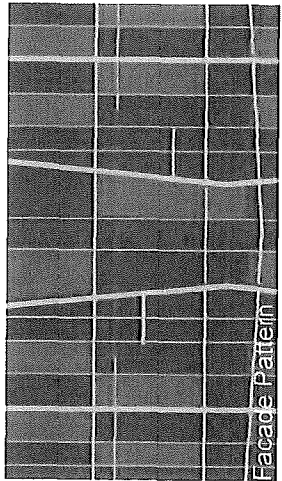


UNIT T1-DF  
TERMINAL ONE

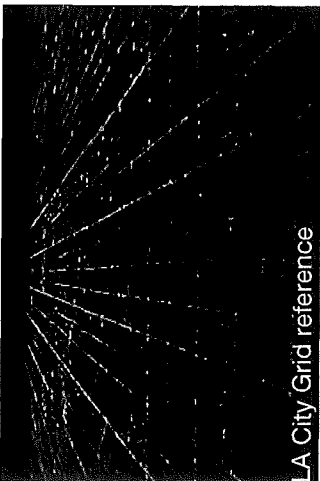


MATERIAL BOARDS

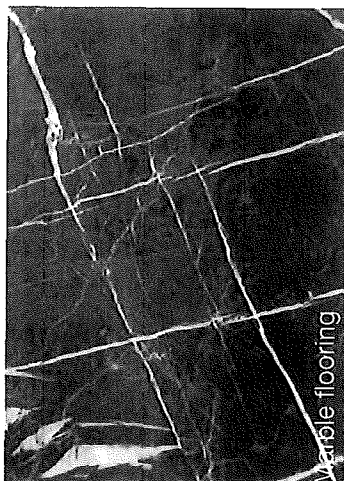
TERMINAL 3, 4, 5, 6, 7, 8 AND 1



Facade Pattern



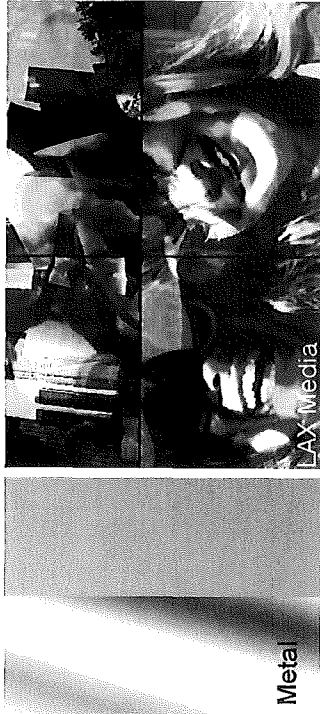
LA City Grid reference



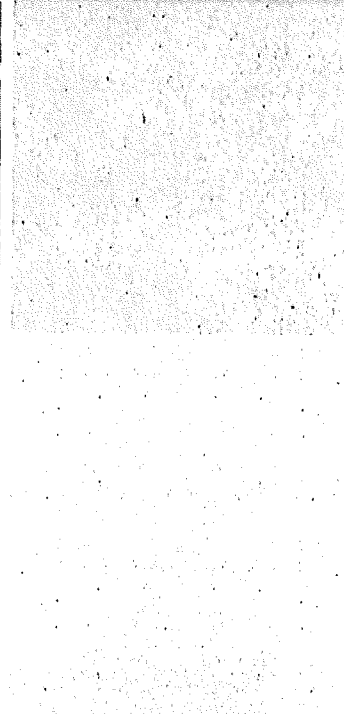
Marble flooring



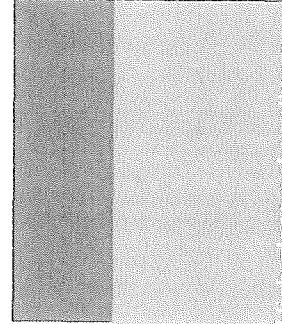
Ceiling Panels



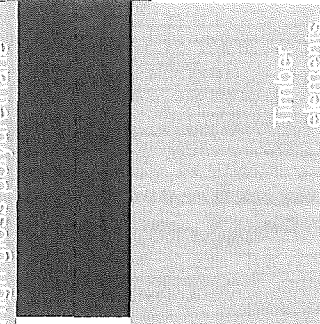
Metal



Stone composite



High gloss polyurethane



Timber elements

- 8.11 A detailed development schedule evidencing the our plans for development of the Bradley West Units on an expedited basis, including durations for design development, LAWA's Design and Construction approvals process, permitting from all authorities having jurisdiction, and construction start and completion dates (including commissioning, close-out and opening).

See **Exhibit E8.9** – Facilities Implementation Schedule

- 8.12 Testimonials (limited to a maximum of three) as to the effectiveness of our design and construction capabilities.

See **Exhibit E8.10 to E8.12** – Construction Testimonials

- 8.13 Summary

**DFS IS A CONFIDENT INVESTOR IN LAX:  
ON TIME, ON BUDGET, AND NO EXECUTION RISK**

We will invest a total of \$42,000,000 across the term of the concession.

- ⊗ Our plans for improvement and investment are well funded and carefully considered in order to deliver maximum yield for LAWA and DFS.
- ⊗ Our innovative store designs deliver environments which enhance the retail productivity through the use of spatial planning, circulation techniques, lighting and management of the senses.
- ⊗ On time and on budget project delivery is expected at DFS. Our detailed development schedule takes into account approvals, permissions and site constraints.
- ⊗ We are confident that with our experience in operating in secure locations at airports around the world and by working closely with airport management we will ensure efficiency is maximized and disruption is minimized during the development phase.
- ⊗ We will deliver retail creativity and retail efficiency blended carefully into the LAX passenger and customer environment. Our design process is stringent, well tested and well supported by our brand and product partners.

***We're confident that the investment of \$25,000,000 to develop new concessions and \$17,000,000 in additional investments in refurbishments and improvements through the term will deliver sales growth and enhanced customer service.***

**EXHIBIT G**

**FORM OF IMPROVEMENT PAYMENT AND PERFORMANCE BONDS**

**[ATTACHED]**

# Contractor's Bond

Know all Men by these presents:

THAT WE \_\_\_\_\_  
\_\_\_\_\_ as PRINCIPAL,  
and \_\_\_\_\_, a corporation  
organized under the laws of the State of \_\_\_\_\_ and duly authorized to  
transact business under the laws of the State of California, as surety, are held and firmly bound unto THE  
CITY OF LOS ANGELES, A MUNICIPAL CORPORATION, as obligee, in the just and full sum of \_\_\_\_\_  
\_\_\_\_\_ Dollars (\$ \_\_\_\_\_),

for the payment whereof well and truly to be made said principal and surety bind themselves, their heirs, executors,  
administrators, successors, and assigns, jointly and severally firmly by these presents.

THE CONDITION of the foregoing obligation is such, that whereas, the above bounden principal is about to  
enter into a contract, attached hereto, and incorporated by reference herein, with said obligee to do and perform  
the following, to-wit:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

as will more fully appear from said contract, reference to which is hereby made, and which said contract and all  
documents incorporated therein by reference are expressly made a part hereof.

The said surety, for value received, hereby stipulates and agrees that no change, extension of time, alteration  
or addition to the terms of the contract, or to the work to be performed thereunder shall in anywise affect its  
obligations on this bond, and it does hereby waive notice of any such change, extension of time, alteration or  
addition to the terms of the contract or the work.

NOW, THEREFORE, if the above bounden principal shall well and truly perform the work contracted to be done  
under said contract, and shall fully and faithfully carry out and perform all of the terms, covenants and conditions  
of said contract upon its or his part to be performed, then this obligation to be null and void, otherwise to remain  
in full force and effect.

No right of action shall accrue under this bond to or for the use of any person other than the obligee named herein.

Signed and sealed this \_\_\_\_\_ day of \_\_\_\_\_ A.D. 20 \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
PRESIDENT  
\_\_\_\_\_  
SECRETARY  
\_\_\_\_\_

By \_\_\_\_\_  
ATTORNEY-IN-FACT.

Corporate or individual principal must have signatures acknowledged \_\_\_\_\_ Surety,  
in the appropriate blank on the reverse hereof.  
Corporate seal must be impressed hereon in case of corporation.

# Payment Bond

Know all Men by these presents:

THAT WE \_\_\_\_\_

as principal, and \_\_\_\_\_

as sure \_\_\_\_\_ are held and firmly bound unto the CITY OF LOS ANGELES, California, a municipal corporation, in the sum of \_\_\_\_\_

\_\_\_\_\_ Dollars (\$ \_\_\_\_\_) lawful money of the United States, for which, payment well and truly to be made, we

bind ourselves, jointly and severally, firmly by these presents.

Signed, sealed and dated \_\_\_\_\_, 20 \_\_\_\_\_.

The condition of the above obligation is such that, whereas said principal has been awarded and is about to enter into a written contract with the City of Los Angeles for \_\_\_\_\_

which is hereto attached, and incorporated by reference herein, and to which reference is made for all particulars, and is required by said city to give this bond in connection with the execution of said contract;

Now, therefore, if said principal as contractor in said contract, or \_\_\_\_\_

\_\_\_\_\_ subcontractor, fails to pay for any materials, provisions, provender or other supplies or teams used in, upon or for or about the performance of the work contracted to be done, or for any work or labor done thereon of any kind or for amounts due under the Unemployment Insurance Act with respect to such work or labor, or for any amounts required to be deducted, withheld, and paid over to the Franchise Tax Board from the wages of employees of the principal and his subcontractors pursuant to sec. 18806 of the Revenue and Taxation Code of the State of California with respect to such work and labor, said suret \_\_\_\_\_

\_\_\_\_\_ will pay the same in an amount not exceeding the sum set forth above, and also in case suit is brought upon this bond, a reasonable attorney's fee to be fixed by the court. This bond shall inure to the benefit of any and all persons, companies and corporations entitled to file claims under and by virtue of the applicable provisions of Division III, Part 4, Title 15 (commencing with Section No. 3082) of the Civil Code of the State of California, or their assigns.

WITNESS our hands this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_.

\_\_\_\_\_

PRESIDENT

\_\_\_\_\_

SECRETARY

\_\_\_\_\_

Surety,

\_\_\_\_\_

Surety,

*Corporation, Partnership or Individual Principal must have signatures acknowledged in the appropriate blank on the reverse hereof.*

*If a Corporation — Corporate Seal must be impressed hereon:*

**EXHIBIT H**  
**INSURANCE**  
**[ATTACHED]**

## INSURANCE REQUIREMENTS FOR LOS ANGELES WORLD AIRPORTS

NAME: DFS GROUP L.P.  
AGREEMENT / ACTIVITY: Terminal-wide Duty Free Merchandise Concession Agreement at LAX.  
TERM: 10 years  
LAWA DIVISION: Commercial Development Group

The insured must maintain insurance coverage at limits normally required of its type operation; however, the following coverage noted with an "X" is the minimum required and must be at least the level of the limits indicated. All limits are per occurrence unless otherwise specified.

### LIMITS

- Workers' Compensation (Statutory)/Employer's Liability Statutory
- Broad Form All States Endorsement
  - Voluntary Compensation Endorsement
  - Waiver of Subrogation, specifically naming LAWA  
(Please see attached supplement)
- Automobile Liability - covering owned, non-owned & hired auto \$10,000,000 CSL
- Aviation/Airport or Commercial General Liability, including the following coverage: \$10,000,000
- Premises and Operations
  - Contractual (Blanket/Schedule)
  - Independent Contractors
  - Products /Completed Operations
  - Broad Form Property Damage
  - Personal Injury
  - Additional Insured Endorsement, specifically naming LAWA  
(Please see attached supplement).
  - Hangarkeepers Legal Liab. (At least at a limit of liability of \$ 1 million)
- Property Insurance
- 90% Co-Ins.  Actual Cash Value  Replacement Value  Agreed Amt.
- Covering company's improvements, w/waiver of subrogation  
(Including building structure, if applicable)  
(Department does not insure company's improvements) Value of Improvements
  - All Risk Coverage
  - Fire & Basic Causes of Loss Form, including sprinkler leakage
  - Vandalism and Malicious Mischief
  - Debris Removal
  - Builder's Risk Insurance - (All Risk Coverage)  
Required if property or building ultimately revert to City
- Coverage for Hazardous Substances \$ \*\*\*  
\*\*\* Must meet contractual requirements

**CONTRACTOR SHALL BE HELD RESPONSIBLE FOR OWN OR HIRED EQUIPMENT AND SHALL HOLD AIRPORT HARMLESS FROM LOSS, DAMAGE OR DESTRUCTION TO SUCH EQUIPMENT.**

**INSURANCE COMPANIES WHICH DO NOT HAVE AN AMBEST RATING OF A- OR BETTER, AND HAVE A MINIMUM FINANCIAL SIZE OF AT LEAST 4, MUST BE REVIEWED FOR ACCEPTABILITY BY EXECUTIVE DIRECTOR.**

**PLEASE RETURN THIS FORM WITH EVIDENCE OF INSURANCE**

## **INSURANCE REQUIREMENTS FOR LOS ANGELES WORLD AIRPORTS (SUPPLEMENT)**

The only evidence of insurance accepted will be either a Certificate of Insurance and/or a True and Certified copy of the policy. The following items must accompany the form of evidence provided:

- **Endorsements:**

1. Workers Compensation Waiver of Subrogation Endorsement  
(WC 04 03 06 or similar)
2. General Liability Additional Insured Endorsement  
(ISO Standard Endorsement)

\*\*\*\*All endorsements must specifically name in the schedule:

**The City of Los Angeles, Los Angeles World Airports, its Board, and all of its officers, employees and agents.**

**A BLANKET/AUTOMATIC ENDORSEMENT AND/OR LANGUAGE ON A  
CERTIFICATE OF INSURANCE IS NOT ACCEPTABLE.**

- A typed legible name of the Authorized Representative must accompany the signature on the Certificate of Insurance and/or the True and Certified copy of the policy.

**EXHIBIT I**

**FORM OF DECLARATION OF COMPLIANCE FOR CHILD SUPPORT**

# LOS ANGELES ADMINISTRATIVE CODE

## Div. 10, Ch. 1, Art. 1

### CHILD SUPPORT

#### Sec. 10.10. Child Support Assignment Orders.

##### a. Definitions.

1. **Awarding Authority** means a subordinate or component entity or person of the City (such as a City department or Board of Commissioners) that has the authority to enter into a contract or agreement for the provision of goods or services on behalf of the City of Los Angeles.

2. **Contract** means any agreement, franchise, lease or concession including an agreement for any occasional professional or technical personal services, the performance of any work or service, the provision of any materials or supplies, or the rendering of any service to the City of Los Angeles or to the public which is let, awarded or entered into with, or on behalf of, the City of Los Angeles or any awarding authority thereof.

3. **Contractor** means any person, firm, corporation, partnership or any combination thereof which submits a bid or proposal or enters into a contract with any awarding authority of the City of Los Angeles.

4. **Subcontractor** means any person, firm, corporation, partnership or any combination thereof who enters into a contract with a contractor to perform or provide a portion of any contract with the City.

5. **Principal Owner** means any person who owns an interest of 10 percent or more in a contractor or subcontractor as defined herein.

##### b. Mandatory Contract Provisions.

Every contract that is let, awarded or entered into with or on behalf of the City of Los Angeles shall contain a provision obligating the contractor or subcontractor to fully comply with all applicable State and Federal employment reporting requirements for the contractor or subcontractor's employees. The contractor or subcontractor will also be required to certify that the principal owner(s) thereof are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them

personally, that the contractor or subcontractor will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignments in accordance with California Family Code §§ 5230 *et seq.* and that the contractor or subcontractor will maintain such compliance throughout the term of the contract.

Failure of a contractor or subcontractor to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignments or Notices of Assignment or failure of the principal owner(s) to comply with any Wage and Earnings Assignments or Notices of Assignment applicable to them personally shall constitute a default under the contract. Failure of the contractor or subcontractor or principal owner thereof to cure the default within 90 days of notice of such default by the City shall subject the contract to termination.

##### c. Notice to Bidders.

Each awarding authority shall be responsible for giving notice of the provisions of this ordinance to those who bid on, or submit proposals for, prospective contracts with the City.

##### d. Current Contractor Compliance.

Within 30 days of the operative date of this ordinance, the City, through its operating departments, shall serve upon existing contractors a written request that they and their subcontractors (if any) comply with all applicable State and Federal employment reporting requirements for the contractor and subcontractor's employees, that they certify that the principal owner(s) of the contractor and any subcontractor are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally, that the contractor and subcontractor will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignments in accordance with California Family Code § 5230 *et seq.* and that the contractor and subcontractor will maintain such compliance throughout the term of the contract.

##### e. City's Compliance with California Family Code.

The City shall maintain its compliance with the provisions of California Family Code §§ 5230 *et seq.* and all other applicable law regarding its obligations as an employer to implement lawfully served Wage and Earnings Assignments and Notices of Assignment.

f. Report of Employees' Names to District Attorney.

1. The City shall maintain its current practice of assisting the District Attorney's support enforcement activities by annually reporting to the Los Angeles County District Attorney the names of all of its employees and retirees so that the District Attorney may identify those employees and retirees subject to Wage and Earnings Assignment Orders and Notices of Assignment and may establish court orders for support, where appropriate. Should the District Attorney so request it, the City will provide such information on a more frequent basis.

2. All applicants for employment with the City of Los Angeles will be asked to acknowledge their responsibility to comply with any court ordered support obligations and will be advised of the City's practice of assisting the District Attorney as described in the provisions of Subsection f.1., above.

**SECTION HISTORY**

*Added by Ord. No. 172,401, Eff. 2-13-99.*

City of Los Angeles

CERTIFICATION OF COMPLIANCE WITH CHILD SUPPORT OBLIGATIONS

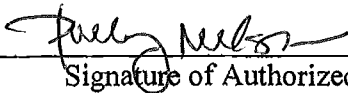
This Document must be returned with the Contract/Lease/Agreement

The undersigned hereby agrees that DFS Group L.P. will:  
(Name of Business)

1. Fully comply with all applicable State and Federal reporting requirements for its employees.
2. Fully comply with and implement all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment.
3. Certify that the principal owner(s) of the business are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally.
4. Certify that the business will maintain such compliance throughout the term of the contract.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 16th  
day of July, 2012 at Los Angeles, L.A. CA  
City/County State

DFS Group L.P. 1580 Francisco Street, Torrance, CA 90501  
Name of Business Address

 Polly Nelson  
Signature of Authorized Representative Print Name

Managing Director - North America 310-783-6749  
Title Telephone Number

**EXHIBIT J**  
**EQUAL EMPLOYMENT PRACTICES**

**LOS ANGELES ADMINISTRATIVE CODE**  
Div. 10, Ch. 1, Art. 1

**EQUAL EMPLOYMENT**

**Sec. 10.8.3. Equal Employment Practices Provisions.**

Every non-construction contract with or on behalf of the City of Los Angeles for which the consideration is \$1,000 or more, and every construction contract for which the consideration is \$1,000 or more, shall contain the following provisions, which shall be designated as the **EQUAL EMPLOYMENT PRACTICES** provision of such contract:

A. During the performance of this contract, the contractor agrees and represents that it will provide equal employment practices and the contractor and each subcontractor hereunder will ensure that in his or her employment practices persons are employed and employees are treated equally and without regard to or because of race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.

1. This provision applies to work or service performed or materials manufactured or assembled in the United States.
2. Nothing in this section shall require or prohibit the establishment of new classifications of employees in any given craft, work or service category.
3. The contractor agrees to post a copy of Paragraph A hereof in conspicuous places at its place of business available to employees and applicants for employment.

B. The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to their race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.

C. As part of the City's supplier registration process, and/or at the request of the awarding authority, or the Board of Public Works, Office of Contract Compliance, the contractor shall certify in the specified format that he or she has

not discriminated in the performance of City contracts against any employee or applicant for employment on the basis or because of race, religion, national origin, ancestry, sex, sexual orientation, age, disability, marital status or medical condition.

D. The contractor shall permit access to and may be required to provide certified copies of all of his or her records pertaining to employment and to employment practices by the awarding authority or the Office of Contract Compliance for the purpose of investigation to ascertain compliance with the Equal Employment Practices provisions of City contracts. On their or either of their request the contractor shall provide evidence that he or she has or will comply therewith.

E. The failure of any contractor to comply with the Equal Employment Practices provisions of this contract may be deemed to be a material breach of City contracts. Such failure shall only be established upon a finding to that effect by the awarding authority, on the basis of its own investigation or that of the Board of Public Works, Office of Contract Compliance. No such finding shall be made or penalties assessed except upon a full and fair hearing after notice and an opportunity to be heard has been given to the contractor.

F. Upon a finding duly made that the contractor has failed to comply with the Equal Employment Practices provisions of a City contract, the contract may be forthwith canceled, terminated or suspended, in whole or in part, by the awarding authority, and all monies due or to become due hereunder may be forwarded to and retained by the City of Los Angeles. In addition thereto, such failure to comply may be the basis for a determination by the awarding authority or the Board of Public Works that the said contractor is an irresponsible bidder or proposer pursuant to the provisions of Section 371 of the Charter of the City of Los Angeles. In the event of such a determination, such contractor shall be disqualified from being awarded a contract with the City of Los Angeles for a period of two

years, or until the contractor shall establish and carry out a program in conformance with the provisions hereof.

G. Notwithstanding any other provision of this contract, the City of Los Angeles shall have any and all other remedies at law or in equity for any breach hereof.

H. The Board of Public Works shall promulgate rules and regulations through the Office of Contract Compliance, and provide necessary forms and required language to the awarding authorities to be included in City Request for Bids or Request for Proposal packages or in supplier registration requirements for the implementation of the Equal Employment Practices provisions of this contract, and such rules and regulations and forms shall, so far as practicable, be similar to those adopted in applicable Federal Executive orders. No other rules, regulations or forms may be used by an awarding authority of the City to accomplish the contract compliance program.

I. Nothing contained in this contract shall be construed in any manner so as to require or permit any act which is prohibited by law.

J. At the time a supplier registers to do business with the City, or when an individual bid or proposal is submitted, the contractor shall agree to adhere to the Equal Employment Practices specified herein during the performance or conduct of City Contracts.

K. Equal Employment Practices shall, without limitation as to the subject or nature of employment activity, be concerned with such employment practices as:

1. Hiring practices;
2. Apprenticeships where such approved programs are functioning, and other on-the-job training for non-apprenticeable occupations;
3. Training and promotional opportunities; and
4. Reasonable accommodations for persons with disabilities.

L. All contractors subject to the provisions of this section shall include a like provision in all subcontracts awarded for work to be performed under the contract with the City and shall impose the same obligations, including but not limited to filing and reporting obligations, on the subcontractors as are applicable to the contractor. Failure of the contractor to comply with this requirement or to obtain the compliance of its subcontractors with all such obligations shall subject the contractor to the imposition of any and all sanctions allowed by law, including but not limited to termination of the contractor's contract with the City.

#### SECTION HISTORY

*Amended by: Ord. No.147,030, Eff. 4-28-75; Paragraphs A., B., C., Ord. No. 164,516, Eff. 4-13-89; Paragraphs C., Ord. No.168,244, Eff. 10-18-92; Ord. No. 173,186, Eff. 5-22-00; Subsec. F., Ord. No.173,285, Eff. 6-26-00, Oper. 7-1-00.*

**EXHIBIT K**  
**AFFIRMATIVE ACTION PROGRAM**

**EXHIBIT K**

# LOS ANGELES ADMINISTRATIVE CODE

## Div. 10, Ch. 1, Art. 1

### AFFIRMATIVE ACTION

#### Sec. 10.8.4. Affirmative Action Program Provisions.

Every non-construction contract with or on behalf of the City of Los Angeles for which the consideration is \$100,000 or more and every construction contract with or on behalf of the City of Los Angeles for which the consideration is \$5,000 or more shall contain the following provisions which shall be designated as the **AFFIRMATIVE ACTION PROGRAM** provisions of such contract:

A. During the performance of a City contract, the contractor certifies and represents that the contractor and each subcontractor hereunder will adhere to an affirmative action program to ensure that in its employment practices, persons are employed and employees are treated equally and without regard to or because of race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.

1. This provision applies to work or services performed or materials manufactured or assembled in the United States.

2. Nothing in this section shall require or prohibit the establishment of new classifications of employees in any given craft, work or service category.

3. The contractor shall post a copy of Paragraph A hereof in conspicuous places at its place of business available to employees and applicants for employment.

B. The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to their race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.

C. As part of the City's supplier registration process, and/or at the request of the awarding authority or the Office of Contract Compliance, the contractor shall certify on an electronic or hard copy form to be supplied, that the contractor has not discriminated in the performance of City contracts against any employee or applicant for employment on the basis or because of race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.

D. The contractor shall permit access to and may be required to provide certified copies of all of its records pertaining to employment and to its employment practices by the awarding authority or the Office of Contract Compliance, for the purpose of investigation to ascertain compliance with the Affirmative Action Program provisions of City contracts, and on their or either of their request to provide evidence that it has or will comply therewith.

E. The failure of any contractor to comply with the Affirmative Action Program provisions of City contracts may be deemed to be a material breach of contract. Such failure shall only be established upon a finding to that effect by the awarding authority, on the basis of its own investigation or that of the Board of Public Works, Office of Contract Compliance. No such finding shall be made except upon a full and fair hearing after notice and an opportunity to be heard has been given to the contractor.

F. Upon a finding duly made that the contractor has breached the Affirmative Action Program provisions of a City contract, the contract may be forthwith cancelled, terminated or suspended, in whole or in part, by the awarding authority, and all monies due or to become due hereunder may be forwarded to and retained by the City of Los Angeles. In addition thereto, such breach may be the basis for a determination by the awarding authority or the Board of Public Works that the said contractor is an irresponsible bidder or

proposer pursuant to the provisions of Section 371 of the Los Angeles City Charter. In the event of such determination, such contractor shall be disqualified from being awarded a contract with the City of Los Angeles for a period of two years, or until he or she shall establish and carry out a program in conformance with the provisions hereof.

G. In the event of a finding by the Fair Employment and Housing Commission of the State of California, or the Board of Public Works of the City of Los Angeles, or any court of competent jurisdiction, that the contractor has been guilty of a willful violation of the California Fair Employment and Housing Act, or the Affirmative Action Program provisions of a City contract, there may be deducted from the amount payable to the contractor by the City of Los Angeles under the contract, a penalty of TEN DOLLARS (\$10.00) for each person for each calendar day on which such person was discriminated against in violation of the provisions of a City contract.

H. Notwithstanding any other provisions of a City contract the City of Los Angeles shall have any and all other remedies at law or in equity for any breach hereof.

I. The Public Works Board of Commissioners shall promulgate rules and regulations through the Office of Contract Compliance and provide to the awarding authorities electronic and hard copy forms for the implementation of the Affirmative Action Program provisions of City contracts, and rules and regulations and forms shall, so far as practicable, be similar to those adopted in applicable Federal Executive Orders. No other rules, regulations or forms may be used by an awarding authority of the City to accomplish this contract compliance program.

J. Nothing contained in City contracts shall be construed in any manner so as to require or permit any act which is prohibited by law.

K. The contractor shall submit an Affirmative Action Plan which shall meet the requirements of this chapter at the time it submits its bid or proposal or at the time it registers to do business with the City. The plan shall be subject to approval by the Office of Contract Compliance prior to award of the contract. The awarding

authority may also require contractors and suppliers to take part in a pre-registration, pre-bid, pre-proposal, or pre-award conference in order to develop, improve or implement a qualifying Affirmative Action Plan. Affirmative Action Programs developed pursuant to this section shall be effective for a period of twelve months from the date of approval by the Office of Contract Compliance. In case of prior submission of a plan, the contractor may submit documentation that it has an Affirmative Action Plan approved by the Office of Contract Compliance within the previous twelve months. If the approval is 30 days or less from expiration, the contractor must submit a new Plan to the Office of Contract Compliance and that Plan must be approved before the contract is awarded.

(1) Every contract of \$5,000 or more which may provide construction, demolition, renovation, conservation or major maintenance of any kind shall in addition comply with the requirements of Section 10.13 of the Los Angeles Administrative Code.

(2) A contractor may establish and adopt as its own Affirmative Action Plan, by affixing his or her signature thereto, an Affirmative Action Plan prepared and furnished by the Office of Contract Compliance, or it may prepare and submit its own Plan for approval.

L. The Office of Contract Compliance shall annually supply the awarding authorities of the City with a list of contractors and suppliers who have developed Affirmative Action Programs. For each contractor and supplier the Office of Contract Compliance shall state the date the approval expires. The Office of Contract Compliance shall not withdraw its approval for any Affirmative Action Plan or change the Affirmative Action Plan after the date of contract award for the entire contract term without the mutual agreement of the awarding authority and the contractor.

M. The Affirmative Action Plan required to be submitted hereunder and the pre-registration, pre-bid, pre-proposal or pre-award conference which may be required by the Board of Public Works, Office of Contract Compliance or the awarding authority shall, without limitation as to

the subject or nature of employment activity, be concerned with such employment practices as:

1. Apprenticeship where approved programs are functioning, and other on-the-job training for non-apprenticeable occupations;
2. Classroom preparation for the job when not apprenticeable;
3. Pre-apprenticeship education and preparation;
4. Upgrading training and opportunities;
5. Encouraging the use of contractors, subcontractors and suppliers of all racial and ethnic groups, provided, however, that any contract subject to this ordinance shall require the contractor, subcontractor or supplier to provide not less than the prevailing wage, working conditions and practices generally observed in private industries in the contractor's, subcontractor's or supplier's geographical area for such work;
6. The entry of qualified women, minority and all other journeymen into the industry; and
7. The provision of needed supplies or job conditions to permit persons with disabilities to be employed, and minimize the impact of any disability.

N. Any adjustments which may be made in the contractor's or supplier's work force to achieve the requirements of the City's Affirmative Action Contract Compliance Program in purchasing and construction shall be accomplished by either an increase in the size of the work force or replacement of those employees who leave the work force by reason of resignation, retirement or death and not by termination, layoff, demotion or change in grade.

O. Affirmative Action Agreements resulting from the proposed Affirmative Action Plan or the pre-registration, pre-bid, pre-proposal or pre-award conferences shall not be confidential and may be publicized by the contractor at his or her discretion. Approved Affirmative Action Agreements become the property of the City and may be used at the discretion of the City in its Contract Compliance Affirmative Action Program.

P. This ordinance shall not confer upon the City of Los Angeles or any Agency, Board or Commission thereof any power not otherwise provided by law to determine the legality of any existing collective bargaining agreement and shall have application only to discriminatory employment practices by contractors or suppliers engaged in the performance of City contracts.

Q. All contractors subject to the provisions of this section shall include a like provision in all subcontracts awarded for work to be performed under the contract with the City and shall impose the same obligations, including but not limited to filing and reporting obligations, on the subcontractors as are applicable to the contractor. Failure of the contractor to comply with this requirement or to obtain the compliance of its subcontractors with all such obligations shall subject the contractor to the imposition of any and all sanctions allowed by law, including but not limited to termination of the contractor's contract with the City.

#### SECTION HISTORY

*Amended by Ord. No. 147,030, Eff. 4-28-75; Paragraphs A., B., C., Ord. No. 164,516, Eff. 4-13-89; Paragraphs B. and C., Ord. No. 168,244, Eff. 10-18-92; Title and Section, Ord. No. 173,186, Eff. 5-22-00; Subsec. F, Ord. No. 173,285, Eff. 6-26-00, Oper. 7-1-00.*

CITY OF LOS ANGELES

NONDISCRIMINATION  EQUAL EMPLOYMENT PRACTICES  AFFIRMATIVE ACTION CONSTRUCTION & NONCONSTRUCTION CONTRACTORS (VENDORS, SUPPLIERS, CONSULTANTS)

Los Angeles Administrative Code (LAAC), Division 10, Chapter 1, Article 1, Section 10.8 requires entities doing business with the City to comply with a Nondiscrimination/Affirmative Action Program. (Refer questions regarding these requirements to the Bureau of Contract Administration, Office of Contract Compliance, Affirmative Action Section, at (213) 847-6480.) In order to comply, it is necessary that the bidder/proposer/respondent complete, sign and return with the bid/proposal/response, the following:

- A. For all contracts, the contractor agrees to adhere to the following Nondiscrimination Clause:
1. The contractor agrees and obligates the company not to discriminate during the performance of this contract against any employee or applicant for employment because of the employee's or applicant's race, religion, national origin, ancestry, sex, age, sexual orientation, disability, marital status, domestic partner status, or medical condition; and
2. All subcontracts awarded under this contract shall contain a like Nondiscrimination Clause.
B. For construction contracts from \$1,000 to under \$5,000 and nonconstruction contracts from \$1,000 to under \$100,000, the contractor agrees to:
1. Adhere to the Nondiscrimination Clause above;
2. Designate a management level Equal Employment Opportunity Officer as provided for in Section "E" below; and
3. Adhere to Equal Employment Practices provisions as outlined in LAAC § 10.8.3 and on Page A-3 of this document.
C. For construction contracts of \$5,000 or more and non-construction contracts of \$100,000 or more, the contractor agrees to:
1. Adhere to the Nondiscrimination Clause above;
2. Designate a management level Equal Employment Opportunity Officer as provided for in Section "E" below;
3. Adhere to Equal Employment Practices provisions as outlined in LAAC § 10.8.3 and on Pages A-4 and A-5 of this document;
4. Complete the Ethnic Composition of Total Work Force Report provided on Page A-2 of this document; and
5. Sign and submit an Affirmative Action Plan. The bidder must submit one of the two following plans:
a. Plan A. Los Angeles City Affirmative Action Plan ("Los Angeles City Affirmative Action Requirements") on Page A-6 and Page A-7 which is an approved plan requiring only signature of acceptance along with the Ethnic Composition of Work Force (Page A-2) and submittal to be effective; or,
b. Plan B. The Bidder's own Affirmative Action Plan for approval, which must contain at a minimum all of the elements of the City's Plan.
D. Subcontractors:
1. The contractor shall require the same documents indicated above to be submitted for subcontractors of any contract awarded by the City; and
2. The contractor shall be responsible for obtaining the Affirmative Action Plans from its subcontractors. Additional forms are Available from the Office of Contract Compliance or the awarding authority.
E. Equal Employment Opportunity Officer:

Please be advised that LYNDAL LARKIN DIRECTOR, TALENT MANAGEMENT is hereby

designated as the Company's Equal Employment Opportunity Officer. The Officer has been given the authority to establish, disseminate and enforce the Equal Employment and Affirmative Action Policies of this firm to ensure nondiscrimination in all of its employment practices. The Officer may be contacted at:

DPS 1580 FRANCISCO ST, TORRANCE, CA 90501 (310) 783-6617

WORK ADDRESS

TELEPHONE

- F. Signed Certification - The Contractor by its signature affixed hereto declares under penalty of perjury that:
1. The contractor has read the Nondiscrimination Clause in "A" above and certifies that it will adhere to the practices in the performances of all contracts;
2. The contractor has read the Equal Employment Practices provisions on Page A-3 and certifies that it will adhere to the practices in the performance of any construction contract \$1,000 to under \$5,000 and nonconstruction contract \$1,000 to under \$100,000;
3. The contractor has designated the Equal Employment Opportunity Officer as noted in Section "E" above;
4. The contractor has read the Affirmative Action Program provisions on Pages A-4 and A-5, certifies that it will adhere to the practices in the performance of any construction contract of \$5,000 or more and nonconstruction contract of \$100,000 or more and submits an Affirmative Action Plan. Indicate which plan is submitted: 9 City Plan; 9 Company Plan.
5. The information contained herein is true and correct.

All Certificates and Plans are effective for 12 months from date of approval by the Office of Contract Compliance.

DPS
COMPANY NAME
1580 FRANCISCO STREET
ADDRESS
TORRANCE, CA 90501
CITY, COUNTY, STATE, ZIP LA COUNTY

Lyndal Larkin
AUTHORIZED SIGNATURE
LYNDAL LARKIN, DIRECTOR TALENT MANAGEMENT
NAME AND TITLE (TYPE OR PRINT)
310-783-6617 7/10/12
TELEPHONE DATE

A-1

PRIME  SUB BCA Form (7/6/00)

**TOTAL COMPOSITION OF WORK FORCE**

OCC# \_\_\_\_\_

Contractor DFS (DUTY FREE SHARPERS)

Project Title \_\_\_\_\_

Length of Contract \_\_\_\_\_

Contractor Address 300 WORLD WAY, LA, CA

Work Force as of (Date) \_\_\_\_\_

(If you have no employees, write "no employee at this time.")

EXHIBIT K

FOR CONSTRUCTION PROJECTS (L.A. County Only)																									
CRAFT	AFRICAN AMERICAN (BLACK)			HISPANIC			ASIAN / PACIFIC ISLANDER			AMERICAN INDIAN/ ALASKAN NATIVE			CAUCASIAN (NON-HISPANIC)			TOTAL EMPLOYEES			% MINORITY			GENDER			
	J	A	T	J	A	T	J	A	T	J	A	T	J	A	T	J	A	T	J	A	T	J	A	T	M
Brick Layers																									
Carpenters																									
Electricians																									
Gumite Workers																									
Iron Worker																									
Laborers																									
Operator Engineers																									
Painters																									
Pipe Trades																									
Plasters / Cement Masons																									
Sheet Metal Workers																									
Teamsters																									
Clerical																									
Supervisory																									
TOTAL																									

**FOR NON-CONSTRUCTION PROJECTS**

OCCUPATION	AFRICAN AMERICAN (BLACK)		HISPANIC		ASIAN OR PACIFIC ISLANDER		AMERICAN INDIAN/ ALASKAN NATIVE		CAUCASIAN (NON-HISPANIC)		TOTAL EMPLOYEES		% MINORITY		GENDER	
	Regular	Trainee	Regular	Trainee	Regular	Trainee	Regular	Trainee	Regular	Trainee	R	T	R	T	M	F
Official & Managers	3	0	3	0	2	0			2	0	10	0	20%		5	5
Professionals																
Technicians																
Sales Workers	3		20		71		2				96		100%		15	81
Office / Clerical									1		1		0%			1
Semi-Skilled	1				2						3		100%		2	1
Laborers (Unskilled)																
Service Workers	5		18		39				1		63		98%		50	13
SUPERVISORS	1		6		7		1		0		15		100%		6	9
TOTAL	13		47		121		3		3		188				78	110

Employment statistics were obtained from:

Available Records  Visual Check  Other (Specify) \_\_\_\_\_

**EQUAL EMPLOYMENT PRACTICES PROVISIONS**  
**Construction Contracts in excess of \$1,000 or more but less than \$5,000 and**  
**Nonconstruction Contracts of \$1,000 or more but less than \$100,000**

**Sec. 10.8.3. Equal Employment Practices Provisions.**

Every non-construction contract with or on behalf of the City of Los Angeles for which the consideration is \$1,000 or more, and every construction contract for which the consideration is \$1,000 or more, shall contain the following provisions, which shall be designated as the EQUAL EMPLOYMENT PRACTICES provision of such contract:

- A. During the performance of this contract, the contractor agrees and represents that it will provide equal employment practices and the contractor and each subcontractor hereunder will ensure that in his or her employment practices persons are employed and employees are treated equally and without regard to or because of race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status, domestic partner status, or medical condition.
1. This provision applies to work or service performed or materials manufactured or assembled in the United States.
  2. Nothing in this section shall require or prohibit the establishment of new classifications of employees in any given craft, work or service category.
  3. The contractor agrees to post a copy of Paragraph A hereof in conspicuous places at its place of business available to employees and applicants for employment.
- B. The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to their race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status, domestic partner status, or medical condition.
- C. As part of the City's supplier registration process, and/or at the request of the awarding authority, or the Board of Public Works, Office of Contract Compliance, the contractor shall certify in the specified format that he or she has not discriminated in the performance of City contracts against any employee or applicant for employment on the basis or because of race, religion, national origin, ancestry, sex, sexual orientation, age, disability, marital status, domestic partner status, or medical condition.
- D. The contractor shall permit access to and may be required to provide certified copies of all of his or her records pertaining to employment and to employment practices by the awarding authority or the Office of Contract Compliance for the purpose of investigation to ascertain compliance with the Equal Employment Practices provisions of City contracts. On their or either of their request the contractor shall provide evidence that he or she has or will comply therewith.
- E. The failure of any contractor to comply with the Equal Employment Practices provisions of this contract may be deemed to be a material breach of City contracts. Such failure shall only be established upon a finding to that effect by the awarding authority, on the basis of its own investigation or that of the Board of Public Works, Office of Contract Compliance. No such finding shall be made or penalties assessed except upon a full and fair hearing after notice and an opportunity to be heard has been given to the contractor.
- F. Upon a finding duly made that the contractor has failed to comply with the Equal Employment Practices provisions of a City contract, the contract may be forthwith canceled, terminated or suspended, in whole or in part, by the awarding authority, and all monies due or to become due hereunder may be forwarded to and retained by the City of Los Angeles. In addition thereto, such failure to comply may be the basis for a determination by the awarding authority or the Board of Public Works that the said contractor is an irresponsible bidder or proposer pursuant to the provisions of Section 371 of the Charter of the City of Los Angeles. In the event of such a determination, such contractor shall be disqualified from being awarded a contract with City of Los Angeles for a period of two years, or until the contractor shall establish and carry out a program in conformance with the provisions hereof.
- G. Notwithstanding any other provision of this contract, the City of Los Angeles shall have any and all other remedies at law or in equity for any breach hereof.
- H. The Board of Public Works shall promulgate rules and regulations through the Office of Contract Compliance, and provide necessary forms and required language to the awarding authorities to be included in City Request for Bids or Request for Proposal packages or in supplier registration requirements for the implementation of the Equal Employment Practices provisions of this contract, and such rules and regulations and forms shall, so far as practicable, be similar to those adopted in applicable Federal Executive orders. No other rules, regulations or forms may be used by an awarding authority of the City to accomplish the contract Compliance program.
- I. Nothing contained in this contract shall be construed in any manner so as to require or permit any act which is prohibited by law.
- J. At the time a supplier registers to do business with the City, or when an individual bid or proposal is submitted, the contractor shall agree to adhere to the Equal Employment Practices specified herein during the performance or conducted of City Contracts.
- K. Equal Employment Practices shall, without limitation as to the subject or nature of employment activity, be concerned with such employment practices as:
1. Hiring practices;
  2. Apprenticeships where such approved programs are functioning, and other on-the-job training for non-apprenticeable occupations;
  3. Training and promotional opportunities; and
  4. Reasonable accommodations for persons with disabilities.
- L. All contractors subject to the provisions of this section shall include a like provision in all subcontracts awarded for work to be performed under the contract with the City and shall impose the same obligations, including but not limited to filing and reporting obligations, on the subcontractors as are applicable to the contractor. Failure of the contractor to comply with this requirement or to obtain the compliance of its subcontractors with all such obligations shall subject the contractor to the imposition of any and all sanctions allowed by law, including but not limited to termination of the contractor's contract with the City.

**AFFIRMATIVE ACTION PROGRAM PROVISIONS**  
**Construction Contracts of \$5,000 or More and**  
**Nonconstruction Contracts of \$100,000 or More**

**Sec. 10.8.4. Affirmative Action Program Provisions.**

Every non-construction contract with or on behalf of the City of Los Angeles for which the consideration is \$100,000 or more and every construction contract with or on behalf of the City of Los Angeles for which the consideration is \$5,000 or more shall contain the following provisions which shall be designated as the **AFFIRMATIVE ACTION PROGRAM** provisions of such contract:

- A. During the performance of a City contract, the contractor certifies and represents that the contractor and each subcontractor hereunder will adhere to an affirmative action program to ensure that in its employment practices, persons are employed and employees are treated equally and without regard to or because of race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status, domestic partner status, or medical condition.
  - 1. This provision applies to work or services performed or materials manufactured or assembled in the United States.
  - 2. Nothing in this section shall require or prohibit the establishment of new classifications of employees in any given craft, work or service category.
  - 3. The contractor shall post a copy of Paragraph A hereof in conspicuous places at its place of business available to employees and applicants for employment.
- B. The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to their race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status, domestic partner status, or medical condition.
- C. As part of the City's supplier registration process, and/or at the request of the awarding authority or the Office of Contract Compliance, the contractor shall certify on an electronic or hard copy form to be supplied, that the contractor has not discriminated in the performance of City contracts against any employee or applicant for employment on the basis or because of race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status, domestic partner status, or medical condition.
- D. The contractor shall permit access to and may be required to provide certified copies of all of its records pertaining to employment and to its employment practices by the awarding authority or the Office of Contract Compliance, for the purpose of investigation to ascertain compliance with the Affirmative Action Program provisions of City contracts, and on their or either of their request to provide evidence that it has or will comply therewith.
- E. The failure of any contractor to comply with the Affirmative Action program provisions of City contracts may be deemed to be a material breach of contract. Such failure shall only be established upon a finding to that effect by the awarding authority, on the basis of its own investigation or that of the Board of Public Works, Office of Contract Compliance. No such finding shall be made except upon a full and fair hearing after notice and an opportunity to be heard has been given to the contractor.
- F. Upon a finding duly made that the contractor has breached the Affirmative Action Program provisions of a City contract, the contract may be forthwith canceled, terminated or suspended, in whole or in part, by the awarding authority, and all monies due or to become due hereunder may be forwarded to and retained by the City of Los Angeles. In addition thereto, such breach may be the basis for a determination by the awarding authority or the Board of Public Works that the said contractor is an irresponsible bidder or proposer pursuant to the provisions of Section 371 of the Los Angeles City Charter. In the event of such determination, such contractor shall be disqualified from being awarded a contract with the City of Los Angeles for a period of two years, or until he or she shall establish and carry out a program in conformance with the provisions hereof.
- G. In the event of a finding by the Fair Employment and Housing Commission of the State of California, or the Board of Public Works of the City of Los Angeles, or any court of competent jurisdiction, that the contractor has been guilty of a willful violation of the California Fair Employment and Housing Act, or the Affirmative Action Program provisions of a City contract, there may be deducted from the amount payable to the contractor by the City of Los Angeles under the contract, a penalty of TEN DOLLARS (\$10.00) for each person for each calendar day on which such person was discriminated against in violation of the provisions of a City contract.
- H. Notwithstanding any other provisions of a City contract, the City of Los Angeles shall have any and all other remedies at law or in equity for any breach hereof.
- I. The public Works board of Commissioners shall promulgate rules and regulations through the Office of Contract Compliance and provide to the awarding authorities electronic and hard copy forms for the implementation of the Affirmative Action Program provisions of City contracts, and rules and regulations and forms shall, so far as practicable, be similar to those adopted in applicable Federal Executive Orders. No other rules, regulations or forms may be used by an awarding authority of the City to accomplish this contract compliance program.
- J. Nothing contained in City contracts shall be construed in any manner so as to require or permit any act which is prohibited by law.

- K. The contractor shall submit an Affirmative Action Plan which shall meet the requirements of this Chapter at the time it submits its bid or proposal or at the time it registers to do business with the City. The plan shall be subject to approval by the Office of Contract Compliance prior to award of the contract. The awarding authority may also require contractors and suppliers to take part in a pre-registration, pre-bid, pre-proposal, or pre-award conference in order to develop, improve or implement a qualifying Affirmative Action Plan. Affirmative Action Programs developed pursuant to this section shall be effective for a period of twelve months from the date of approval by the Office of Contract Compliance. In case of prior submission of a plan, the contractor may submit documentation that it has an Affirmative Action Plan approved by the Office of Contract Compliance within the previous twelve months. If the approval is 30 days or less from expiration, the contractor must submit a new Plan to the Office of Contract Compliance and that Plan must be approved before the contract is awarded.
- (1) Every contract of \$5,000 or more which may provide construction, demolition, renovation, conservation or major maintenance of any kind shall in addition comply with the requirements of Section 10.13 of the Los Angeles Administrative Code.
  - (2) A contractor may establish and adopt as its own Affirmative Action Plan, by affixing his or her signature thereto, an Affirmative Action Plan prepared and furnished by the Office of Contract Compliance, or it may prepare and submit its own Plan for approval.
- L. The Office of Contract Compliance shall annually supply the awarding authorities of the City with a list of contractors and suppliers who have developed Affirmative Action Programs. For each contractor and supplier the Office of Contract Compliance shall state the date the approval expires. The Office of Contract Compliance shall not withdraw its approval for any Affirmative Action Plan or change the Affirmative Action Plan after the date of contract award for the entire contract term without the mutual agreement of the awarding authority and the contractor.
- M. The Affirmative Action Plan required to be submitted hereunder and the pre-registration, pre-bid, pre-proposal or pre-award conference which may be required by the Board of Public Works, Office of Contract Compliance or the awarding authority shall, without limitation as to the subject or nature of employment activity, be concerned with such employment practices as:
1. Apprenticeship where approved programs are functioning, and other on-the-job training for non-apprenticeable occupations;
  2. Classroom preparation for the job when not apprenticeable;
  3. Pre-apprenticeship education and preparation.
  4. Upgrading training and opportunities;
  5. Encouraging the use of contractors, subcontractors and suppliers of all racial and ethnic groups, provided, however, that any contract subject to this ordinance shall require the contractor, subcontractor or supplier to provide not less than the prevailing wage, working conditions and practices generally observed in private industries in the contractor's, subcontractor's or supplier's geographical area for such work;
  6. The entry of qualified women, minority and all other journeymen into the industry; and
  7. The provision of needed supplies or job conditions to permit persons with disabilities to be employed, and minimize the impact of any disability.
- N. Any adjustments which may be made in the contractor's or supplier's work force to achieve the requirements of the city's Affirmative Action Contract Compliance Program in purchasing and construction shall be accomplished by either an increase in the size of the work force or replacement of those employees who leave the work force by reason of resignation, retirement or death and not by termination, layoff, demotion or change in grade.
- O. Affirmative Action Agreements resulting from the proposed Affirmative Action Plan or the pre-registration, pre-bid, pre-proposal or pre-award conferences shall not be confidential and may be publicized by the contractor at his or her discretion. Approved Affirmative Action Agreements become the property of the City and may be used at the discretion of the City in its Contract Compliance Affirmative Action Program.
- P. This ordinance shall not confer upon the City of Los Angeles or any Agency, Board or Commission thereof any power not otherwise provided by law to determine the legality of any existing collective bargaining agreement and shall have application only to discriminatory employment practices by contractors or suppliers engaged in the performance of City contracts.
- Q. All contractors subject to the provisions of this section shall include a like provision in all subcontracts awarded for work to be performed under the contract with the City and shall impose the same obligations, including but not limited to filing and reporting obligations, on the subcontractors as are applicable to the contractor. Failure of the contractor to comply with this requirement or to obtain the compliance of its subcontractors with all such obligations shall subject the contractor to the imposition of any and all sanctions allowed by law, including but not limited to termination of the contractor's contract with the City.

## LOS ANGELES CITY AFFIRMATIVE ACTION MANDATORY PROVISIONS

Notwithstanding any other provision of this Division to the contrary, every construction contract involving an expenditure of \$5,000 or more of City funds, except in cases of urgent necessity, as provided in Section 371 of the Charter of the city of Los Angeles and except as provided in Section 10.9 of this Code, shall contain as part of the contract an Affirmative Action Plan substantially as set forth in this section and which by the contractor's signature affixed thereto, shall constitute and be established as the contractor's Affirmative Action Plan. The Plan, which may be a plan proposed by the contractor or the City's proposed Plan prepared by the Office of Contract Compliance, shall be subject to the approval of the Office of Contract Compliance prior to award of the contract. The Plan may consist of a Plan approved by the Office of Contract Compliance within the previous twelve months. If the previously approved Plan is 30 days or less from expiration, the contractor must submit a new Plan to the Office of Contract Compliance which shall be subject to approval before the contract may be awarded.

### Sec. 10.13. Mandatory Provisions Pertaining to Nondiscrimination in Employment and Affirmative Action in Hiring Employees in the Performance of Work on Certain City Construction Contracts.

#### 1. Construction Contracts Included.

The contractor shall not be eligible for an award of a City Construction Contract in excess of \$5,000, unless the contractor has submitted as part of the bid a written Affirmative Action Plan embodying both (1) anticipated levels of minority\*, women and all other staffing utilization, and (2) specific affirmative action steps directed at applying good faith efforts in a nondiscriminatory manner to recruit and employ minority, women and all other potential staff or is deemed to have submitted such a program pursuant to Subsection 3 of this section. Both the anticipated levels and the affirmative action steps must be taken and applied in good faith and in a nondiscriminatory manner to attempt to meet the requirements of this section for all trades which are to be utilized on the project, whether subcontracted or not.

\*"Minority" is defined as the term "minority person" is defined in subsection (f) of section 2000 of the California Public Contract Code.

#### 2. Anticipated Utilization.

The plan must set forth anticipated minority, women, and all other staffing utilization by the contractor and all subcontractors on each project constructed by the City using those trades within the area of jurisdiction of the Los Angeles Building and Construction Trades Council within the City of Los Angeles in each work class and at all levels in terms of staff hours. The anticipated levels of minority, women and other staffing utilization shall be the levels at which each of those groups are represented in the relevant workforce in the Greater Los Angeles Area as determined by the U. S. Bureau of the Census and made available by the Office of Contract Compliance. Attainment of the anticipated levels of utilization may only be used as an indicia of whether the contractor has complied with the requirements of this section and has applied its Affirmative Action Plan in good faith and in a nondiscriminatory manner. Failure to attain the anticipated levels of utilization shall not, by itself, disqualify the contractor for award of a contract or subject the contractor to any sanctions or penalties.

In no event may a contractor utilize the requirements of this section in such a manner as to cause or result in discrimination against any person on account of race, color, religion, ancestry, age, disability, medical condition, marital status, domestic partner status, sex, sexual orientation, or national origin.

#### 3. An Affirmative Action Plan.

The contractor certifies and agrees to immediately implement good faith efforts measures to recruit and employ minority, women, and other potential staff in a nondiscriminatory manner including, but not limited to, the following actions. The contractor shall:

##### a. Recruit and make efforts to obtain such employees through:

- (1) Advertising employment opportunities in minority and other community news media. Notifying minority, women and other community organizations of employment opportunities.
- (2) Maintaining contact with schools with diverse populations of students to notify them of employment opportunities.
- (3) Encouraging present minority, women and other employees to refer their friends and relatives.
- (4) Promoting after school and vacation employment opportunities for minority, women and other youth.
- (5) Validating all job specifications, selection requirements, tests, etc.
- (6) Maintaining a file of names and addresses of each worker referred to the contractor and what action was taken concerning such worker.
- (7) Notifying the appropriate awarding authority of the City and the Office of Contract Compliance in writing when a union with whom the contractor has a collective bargaining agreement has failed to refer a minority, woman or other worker.

b. Continually evaluate personnel practices to assure that hiring, upgrading, promotions, transfers, demotions and layoffs are made in nondiscriminatory manner so as to achieve and maintain a diverse work force.

c. Utilize training programs and assist minority, women and other employees in locating, qualifying for and engaging in such training programs to enhance their skills and advancement.

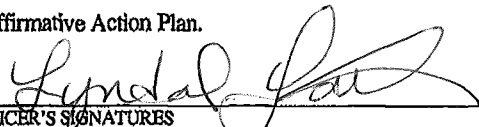
d. Secure cooperation or compliance from the labor referral agency to the contractor's contractual affirmative action obligations.

e. Establish a person at the management level of the contracting entity to be the Equal Employment Opportunity Office; such individual to have the authority to disseminate and enforce the company's Equal Employment and Affirmative Action Policies.

- f. Maintain such records as are necessary to determine compliance with equal employment and affirmative action obligations, and making such records available to City, State and Federal authorities upon request.
- 4. The contractor shall make a good faith effort with respect to apprenticeship and training program to:
  - a. Recruit and refer minority, women and other employees to such programs;
  - b. Establish training programs within the company and/or its association that will prepare minority, women and other employees for advancement opportunities.
  - c. Abide by the requirements of the Labor Code of the State of California with respect to the provision of apprenticeship job opportunities.
- 5. The contractor shall establish written company policies, rules, and procedures which shall be encompassed in a company-wide Affirmative Action Plan for all its operations and contracts. Said policies shall be provided to all employees, subcontractors, vendors, unions and all others with whom the contractor may become involved in fulfilling any of its contracts. The company's Affirmative Action Plan shall encompass the requirements contained herein as a minimum and shall be submitted with its bid to the appropriate awarding authority of the City and to the Office of Contract Compliance of the City.
- 6. Where problems are experienced by the contractor in complying with its obligations pursuant to this section, the contractor shall document its good faith effort to comply with the requirements by the following procedure. The contractor shall state:
  - a. What steps were taken, how and on what date.
  - b. To whom those efforts were directed.
  - c. The responses received, from whom and when.
  - d. What other steps were taken or will be taken to comply and when.
  - e. Why the contractor has been or will be unable to comply.
- 7. The contractor shall complete and file, and require each of its known subcontractors to complete and file with the contractor's bid for the subject project an acceptable Affirmative Action Plan.
- 8. The contractor shall submit and require each of its subcontractors to submit an Ethnic Composition of the Company's Total Work Force (by employees) prior to the date of award of the contract.
- 9. No contract shall be executed until the appropriate awarding authority of the City of Los Angeles, and the Federal funding agency (if Federal funds are involved), has determined in writing that such contractor has executed and filed with the awarding authority and the City Office of Contract Compliance the required Affirmative Action Plan.
- 10. It shall be no excuse that the union with which the contractor has a collective bargaining agreement providing for referral, exclusive or otherwise, failed to refer minority, women or other employees.
- 11. Subject to this subsection the contractor shall execute such further forms and documentation at such times and as may be required by the appropriate awarding authority of the City of Los Angeles.
- 12. Where the contractor has failed to comply with the requirements contained in this section, any and all sanctions allowed by law may be imposed upon the contractor.
- 13. The Office of Contract Compliance within the Department of Public Works shall be responsible for administering the City's Contract Compliance Program in the manner described in Sections 22.359 through 22.359.5 of this Code.
- 14. All contractors subject to the provisions of this section shall include a like provision in all subcontracts awarded for work to be performed under the contract with the City and shall impose the same obligations, including but not limited to filing and reporting obligations, on the subcontractors as are applicable to the contractor. Failure of the contractor to comply with this requirement or to obtain the compliance of its subcontractors with all such obligations shall subject the contractor to the imposition of any and all sanctions allowed by law, including but not limited to termination of the contractor's contract with the City.

By its execution hereof, the contractor accepts and submits the foregoing as its Affirmative Action Plan.

7/10/2012  
DATE

  
OFFICER'S SIGNATURES  
DIRECTOR, TALENT MANAGEMENT

**EXHIBIT L**  
**LIVING WAGE ORDINANCES**

# LOS ANGELES ADMINISTRATIVE CODE

## Div. 10, Ch. 1, Art. 11

### LIVING WAGE ORDINANCE

#### Sec. 10.37 Legislative Findings.

The City awards many contracts to private firms to provide services to the public and to City government. Many lessees or licensees of City property perform services that affect the proprietary interests of City government in that their performance impacts the success of City operations. The City also provides financial assistance and funding to others for the purpose of economic development or job growth. The City expends grant funds under programs created by the federal and state governments. Such expenditures serve to promote the goals established for those programs by such governments and similar goals of the City. The City intends that the policies underlying this article serve to guide the expenditure of such funds to the extent allowed by the laws under which such grant programs are established.

Experience indicates that procurement by contract of services has all too often resulted in the payment by service contractors to their employees of wages at or slightly above the minimum required by federal and state minimum wage laws. Such minimal compensation tends to inhibit the quantity and quality of services rendered by such employees to the City and to the public. Underpaying employees in this way fosters high turnover, absenteeism, and lackluster performance. Conversely, adequate compensation promotes amelioration of these undesirable conditions. Through this article the City intends to require service contractors to provide a minimum level of compensation that will improve the level of services rendered to and for the City.

The inadequate compensation typically paid today also fails to provide service employees with resources sufficient to afford life in Los Angeles. It is unacceptable that contracting decisions involving the expenditure of City funds should foster conditions placing a burden on limited social services. The City, as a principal provider of social support services, has an interest in promoting an employment environment that protects such limited resources. In requiring the payment of a higher minimum level of compensation, this article benefits that interest.

Nothing less than the living wage should be paid by the recipients of City financial assistance themselves. Whether they be engaged in manufacturing or some other line of business, the City does not wish to foster an economic climate where a lesser wage is all that is offered to the working poor. The same adverse social consequences from such inadequate compensation emanate just as readily from manufacturing, for example, as service industries. This article is meant to protect these employees as well.

The City holds a proprietary interest in the work performed by many employees employed by lessees and licensees of City property and by their service contractors and subcontractors. In a very real sense, the success or failure of City operations may turn on the success or failure of these enterprises, for the City has a genuine stake in how the public perceives the services rendered for them by such businesses. Inadequate compensation of these employees adversely impacts the performance by the City's lessee or licensee and thereby does the same for the success of City operations. By the 1998 amendment to this article, recognition is given to the prominence of this interest at those facilities visited by the public on a frequent basis, including but not limited to, terminals at Los Angeles International Airport, Ports O'Call Village in San Pedro, and golf courses and recreation centers operated by the Department of Recreation and Parks. This article is meant to cover all such employees not expressly exempted.

Requiring payment of the living wage serves both proprietary and humanitarian concerns of the City. Primarily because of the latter concern and experience to date regarding the failure of some employers to honor their obligation to pay the living wage, the 1998 amendments introduce additional enforcement mechanisms to ensure compliance with this important obligation. Non-complying employers must now face the prospect of paying civil penalties, but only if they fail to cure non-compliance after having been given formal notice thereof. Where non-payment is the issue, employers who dispute determinations of non-compliance may avoid civil penalties as well by paying into a City holding

### EXHIBIT L LIVING WAGE ORDINANCE

account the monies in dispute. Employees should not fear retaliation, such as by losing their jobs, simply because they claim their right to the living wage, irrespective of the accuracy of the claim. The 1998 amendments strengthen the prohibition against retaliation to serve as a critical shield against such employer misconduct.

### SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.*

#### Sec. 10.37.1 Definitions.

The following definitions shall apply throughout this article:

- (a) "Airport" means the Department of Airports and each of the airports which it operates.
- (b) "Airport Employer" means an Employer, as the term is defined in this section, at the Airport.
- (c) "Airport Employee" means an Employee, as the term is defined in this section, of an Airport Employer.
- (d) "Awarding authority" means that subordinate or component entity or person of the City (such as a department) or of the financial assistance recipient that awards or is otherwise responsible for the administration of a service contract or public lease or license, or, where there is no such subordinate or component entity or person, then the City or the City financial assistance recipient.
- (e) "City" means the City of Los Angeles and all awarding authorities thereof, including those City departments which exercise independent control over their expenditure of funds, but excludes the Community Redevelopment Agency of the City of Los Angeles ("CRA"). The CRA is urged, however, to adopt a policy similar to that set forth in this article.
- (f) "City financial assistance recipient" means any person who receives from the City discrete financial assistance for economic development or job growth expressly articulated and identified by the City, as contrasted with generalized financial

assistance such as through tax legislation, in accordance with the following monetary limitations. Assistance given in the amount of one million dollars (\$1,000,000) or more in any twelve-month period shall require compliance with this article for five years from the date such assistance reaches the one million dollar (\$1,000,000) threshold. For assistance in any twelve-month period totaling less than one million dollars (\$1,000,000) but at least one hundred thousand dollars (\$100,000), there shall be compliance for one year if at least one hundred thousand dollars (\$100,000) of such assistance is given in what is reasonably contemplated at the time to be on a continuing basis, with the period of compliance beginning when the accrual during such twelve-month period of such continuing assistance reaches the one-hundred thousand dollar (\$100,000) threshold.

Categories of such assistance include, but are not limited to, bond financing, planning assistance, tax increment financing exclusively by the City, and tax credits, and shall not include assistance provided by the Community Development Bank. City staff assistance shall not be regarded as financial assistance for purposes of this article. A loan shall not be regarded as financial assistance. The forgiveness of a loan shall be regarded as financial assistance. A loan shall be regarded as financial assistance to the extent of any differential between the amount of the loan and the present value of the payments thereunder, discounted over the life of the loan by the applicable federal rate as used in 26 U.S.C. Sections 1274(d), 7872(f). A recipient shall not be deemed to include lessees and sublessees.

A recipient shall be exempted from application of this article if: (1) it is in its first year of existence, in which case the exemption shall last for one (1) year, (2) it employs fewer than five (5) employees for each working day in each of twenty (20) or more calendar weeks in the current or preceding calendar year, or (3) it obtains a waiver as provided herein. A recipient - who employs the long-term unemployed or provides trainee positions intended to prepare employees for permanent positions, and who claims that compliance with this article would cause an economic hardship - may apply in writing to the City department or office administering such assistance, which department or office which shall forward such application and its recommended action on it to the

## EXHIBIT L LIVING WAGE ORDINANCE

City Council. Waivers shall be affected by Council resolution.

(g) **“Contractor”** means any person that enters into: (1) a service contract with the City, (2) a service contract with a proprietary lessee or licensee or sublessee or sublicensee, or (3) a contract with a City financial assistance recipient to assist the recipient in performing the work for which the assistance is being given. Vendors, such as service contractors, of City financial assistance recipients shall not be regarded as contractors except to the extent provided in Subsection (i).\*

\*Technical correction due to re-lettering of subsections: "Subsection (f)" corrected to "Subsection (i)".

(h) **“Designated Administrative Agency (DAA)”** means the Department of Public Works, Bureau of Contract Administration, who shall bear administrative responsibilities under this article.

(i) **“Employee”** means any person - who is not a managerial, supervisory, or confidential employee and who is not required to possess an occupational license - who is employed (1) as a service employee of a contractor or subcontractor on or under the authority of one or more service contracts and who expends any of his or her time thereon, including but not limited to: hotel employees, restaurant, food service or banquet employees; janitorial employees; security guards; parking attendants; nonprofessional health care employees; gardeners; waste management employees; and clerical employees; (2) as a service employee - of a public lessee or licensee, of a sublessee or sublicensee, or of a service contractor or subcontractor of a public lessee or licensee, or sublessee or sublicensee - who works on the leased or licensed premises; (3) by a City financial assistance recipient who expends at least half of his or her time on the funded project; or (4) by a service contractor or subcontractor of a City financial assistance recipient and who expends at least half of his or her time on the premises of the City financial assistance recipient directly involved with the activities funded by the City.

(j) **“Employer”** means any person who is a City financial assistance recipient, contractor, subcontractor, public lessee, public sublessee, public

licensee, or public sublicensee and who is required to have a business tax registration certificate by Los Angeles Municipal Code §§ 21.00 - 21.198 or successor ordinance or, if expressly exempted by the Code from such tax, would otherwise be subject to the tax but for such exemption; provided, however, that corporations organized under §501(c)(3) of the United States Internal Revenue Code of 1954, 26 U.S.C. §501(c)(3), whose chief executive officer earns a salary which, when calculated on an hourly basis, is less than eight (8) times the lowest wage paid by the corporation, shall be exempted as to all employees other than child care workers.

(k) **“Person”** means any individual, proprietorship, partnership, joint venture, corporation, limited liability company, trust, association, or other entity that may employ individuals or enter into contracts.

(l) **“Public lease or license”**.

(a) Except as provided in (l)(b)\*, **“Public lease or license”** means a lease or license of City property on which services are rendered by employees of the public lessee or licensee or sublessee or sublicensee, or of a contractor or subcontractor, but only where any of the following applies:

\*Technical correction due to re-lettering of subsections: "(i) (b)" corrected to "(l) (b)".

(1) The services are rendered on premises at least a portion of which is visited by substantial numbers of the public on a frequent basis (including, but not limited to, airport passenger terminals, parking lots, golf courses, recreational facilities); or

(2) Any of the services could feasibly be performed by City employees if the awarding authority had the requisite financial and staffing resources; or

(3) The DAA has determined in writing that coverage would further the proprietary interests of the City.

(b) A public lessee or licensee will be exempt from the requirements of this article subject to the following limitations:

**EXHIBIT L  
LIVING WAGE  
ORDINANCE**

(1) The lessee or licensee has annual gross revenues of less than the annual gross revenue threshold, three hundred fifty thousand dollars (\$350,000), from business conducted on City property;

(2) The lessee or licensee employs no more than seven (7) people total in the company on and off City property;

(3) To qualify for this exemption, the lessee or licensee must provide proof of its gross revenues and number of people it employs in the company's entire workforce to the awarding authority as required by regulation;

(4) Whether annual gross revenues are less than three hundred fifty thousand dollars (\$350,000) shall be determined based on the gross revenues for the last tax year prior to application or such other period as may be established by regulation;

(5) The annual gross revenue threshold shall be adjusted annually at the same rate and at the same time as the living wage is adjusted under section 10.37.2 (a);

(6) A lessee or licensee shall be deemed to employ no more than seven (7) people if the company's entire workforce worked an average of no more than one thousand two-hundred fourteen (1,214) hours per month for at least three-fourths (3/4) of the time period that the revenue limitation is measured;

(7) Public leases and licenses shall be deemed to include public subleases and sublicenses;

(8) If a public lease or license has a term of more than two (2) years, the exemption granted pursuant to this section shall expire after two (2) years but shall be renewable in two-year increments upon meeting the requirements therefor at the time of the renewal application or such period established by regulation.

(m) "Service contract" means a contract let to a contractor by the City primarily for the furnishing of services to or for the City (as opposed to the purchase of goods or other property or the leasing or renting of property) and that involves an expenditure in excess

of twenty-five thousand dollars (\$25,000) and a contract term of at least three (3) months; but only where any of the following applies: (1) at least some of the services rendered are rendered by employees whose work site is on property owned by the City, (2) the services could feasibly be performed by City employees if the awarding authority had the requisite financial and staffing resources, or (3) the DAA has determined in writing that coverage would further the proprietary interests of the City.

(n) "Subcontractor" means any person not an employee that enters into a contract (and that employs employees for such purpose) with (1) a contractor or subcontractor to assist the contractor in performing a service contract or (2) a contractor or subcontractor of a proprietary lessee or licensee or sublessee or sublicensee to perform or assist in performing services on the leased or licensed premises. Vendors, such as service contractors or subcontractors, of City financial assistance recipients shall not be regarded as subcontractors except to the extent provided in Subsection (i).\*

\*Technical correction due to re-lettering of subsections: "Subsection (f)" corrected to "Subsection (i)".

(o) "Willful violation" means that the employer knew of his, her, or its obligations under this article and deliberately failed or refused to comply with its provisions.

## SECTION HISTORY

*Added by Ord. No. 171,547, Eff. 5-5-97.*

*Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Subsec. (e), Ord. No. 176,155, Eff. 9-22-04; Subsec. (e), Ord. No. 176,283, Eff. 12-25-04, Oper. 9-22-04; Subsecs. (a) through (l) re-lettered (d) through (o), respectively and new Subsecs. (a), (b), and (c) added, Ord. No. 180,877, Eff. 10-19-09.*

### Sec. 10.37.2 Payment of Minimum Compensation to Employees.

(a) Wages. Employers shall pay Employees a wage of no less than the hourly rates set under the authority of this article. The initial rates were seven dollars and twenty-five cents (\$7.25) per hour with health benefits, as described in this article, or otherwise eight dollars and fifty cents (\$8.50) per

## EXHIBIT L LIVING WAGE ORDINANCE

hour without health benefits. With the annual adjustment effective July 1, 2009, together with all previous annual adjustments as provided by this subsection, such rates are ten dollars and thirty cents (\$10.30) per hour with health benefits or, if health benefits are not provided, then fourteen dollars and eighty cents (\$14.80) per hour for Airport Employees and eleven dollars and fifty-five cents (\$11.55) per hour for all other Employees. The hourly rate with health benefits to be paid to all Employees and the hourly rate without health benefits to be paid to Airport Employees shall be adjusted annually to correspond with adjustments, if any, to retirement benefits paid to members of the Los Angeles City Employees Retirement System (LACERS), made by the CERS Board of Administration under § 4.1040. The Office of Administrative and Research Services shall so advise the DAA of any such change by June 1 of each year and of the required new hourly rates, if any. On the basis of such report, the DAA shall publish a bulletin announcing the adjusted rates, which shall take effect upon such publication.

(b) **Compensated Days Off.** Employers shall provide at least twelve (12) compensated days off per year for sick leave, vacation, or personal necessity at the employee's request. Employers shall also permit employees to take at least an additional ten (10) days a year of uncompensated time to be used for sick leave for the illness of the employee or a member of his or her immediate family where the employee has exhausted his or her compensated days off for that year.

#### SECTION HISTORY

*Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Subsec. (a), Ord. No. 173,285, Eff. 6-26-00, Oper. 7-1-00; Subsec. (a), Ord. No. 180,877, Eff. 10-19-09.*

#### Sec. 10.37.3 Health Benefits.

(a) **Health Benefits.** The health benefits required by this article shall consist of the payment of at least four dollars and fifty cents (\$4.50) per hour by Airport Employers and at least one dollar and twenty-five cents (\$1.25) per hour by all other Employers towards the provision of health care benefits for Employees and their dependents. Proof of the provision of such benefits must be submitted to the awarding authority to qualify for the wage rate in Section 10.37(a) for Employees with health benefits.

Airport Employees cannot waive the health benefits offered by an Airport Employer when the Airport Employer does not require an out-of-pocket contribution by the Airport Employee. Consistent with and as shall be reflected in the hourly rates payable to Airport Employees as provided in 10.37.2(a) above, the amount of payment for health benefits by Airport Employers shall be adjusted annually to correspond with adjustments, if any, to retirement benefits paid to members of the Los Angeles City Employees Retirement System (LACERS), made by the CERS Board of Administration under § 4.1040. The Office of Administrative and Research Services shall so advise the DAA of any such change by June 1 of each year and of the required new hourly payments, if any. On the basis of such report, the DAA shall publish a bulletin announcing the adjusted payment, which shall take effect upon such publication.

(b) **Periodic Review.** At least once every three years, the Office of Administrative and Research Services shall review the health benefit payment by Airport Employers set forth in 10.37.3(a) to determine whether the payment accurately reflects the cost of health care and to assess the impacts of the health benefit payment on Airport Employers and Airport Employees and shall transmit a report with its findings to the Council.

#### SECTION HISTORY

*Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; In Entirety, Ord. No. 180,877, Eff. 10-19-09.*

#### Sec. 10.37.4 Notifying Employees of their Potential Right to the Federal Earned Income Credit.

Employers shall inform employees making less than twelve dollars (\$12) per hour of their possible right to the federal Earned Income Credit ("EIC") under § 32 of the Internal Revenue Code of 1954, 26 U.S.C. § 32, and shall make available to employees forms informing them about the EIC and forms required to secure advance EIC payments from the employer.

#### SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.*

#### Sec. 10.37.5 Retaliation Prohibited.

### EXHIBIT L LIVING WAGE ORDINANCE

Neither an employer, as defined in this article, nor any other person employing individuals shall discharge, reduce in compensation, or otherwise discriminate against any employee for complaining to the City with regard to the employer's compliance or anticipated compliance with this article, for opposing any practice proscribed by this article, for participating in proceedings related to this article, for seeking to enforce his or her rights under this article by any lawful means, or for otherwise asserting rights under this article.

### SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.*

#### Sec. 10.37.6 Enforcement.

(a) An employee claiming violation of this article may bring an action in the Municipal Court or Superior Court of the State of California, as appropriate, against an employer and may be awarded:

(1) For failure to pay wages required by this article - back pay for each day during which the violation continued.

(2) For failure to pay medical benefits - the differential between the wage required by this article without benefits and such wage with benefits, less amounts paid, if any, toward medical benefits.

(3) For retaliation - reinstatement, back pay, or other equitable relief the court may deem appropriate.

(4) For willful violations, the amount of monies to be paid under (1) - (3) shall be trebled.

(b) The court shall award reasonable attorney's fees and costs to an employee who prevails in any such enforcement action and to an employer who so prevails if the employee's suit was frivolous.

(c) Compliance with this article shall be required in all City contracts to which it applies, and such contracts shall provide that violation of this article shall constitute a material breach thereof and entitle

the City to terminate the contract and otherwise pursue legal remedies that may be available. Such contracts shall also include a pledge that there shall be compliance with federal law proscribing retaliation for union organizing.

(d) An employee claiming violation of this article may report such claimed violation to the DAA which shall investigate such complaint. Whether based upon such a complaint or otherwise, where the DAA has determined that an employer has violated this article, the DAA shall issue a written notice to the employer that the violation is to be corrected within ten (10) days. In the event that the employer has not demonstrated to the DAA within such period that it has cured such violation, the DAA may then:

(1) Request the awarding authority to declare a material breach of the service contract, public lease or license, or financial assistance agreement and exercise its contractual remedies thereunder, which are to include, but not be limited to, termination of the service contract, public lease or license, or financial assistance agreement and the return of monies paid by the City for services not yet rendered.

(2) Request the City Council to debar the employer from future City contracts, leases, and licenses for three (3) years or until all penalties and restitution have been fully paid, whichever occurs last. Such debarment shall be to the extent permitted by, and under whatever procedures may be required by, law.

(3) Request the City Attorney to bring a civil action against the employer seeking:

(i) Where applicable, payment of all unpaid wages or health premiums prescribed by this article; and/or

(ii) A fine payable to the City in the amount of up to one hundred dollars (\$100) for each violation for each day the violation remains uncured.

Where the alleged violation concerns non-payment of wages or health premiums, the employer will not be subject to debarment or civil penalties if it pays the monies in dispute into a holding account maintained

## EXHIBIT L LIVING WAGE ORDINANCE

by the City for such purpose. Such disputed monies shall be presented to a neutral arbitrator for binding arbitration. The arbitrator shall determine whether such monies shall be disbursed, in whole or in part, to the employer or to the employees in question. Regulations promulgated by the DAA shall establish the framework and procedures of such arbitration process. The cost of arbitration shall be borne by the City, unless the arbitrator determines that the employer's position in the matter is frivolous, in which event the arbitrator shall assess the employer for the full cost of the arbitration. Interest earned by the City on monies held in the holding account shall be added to the principal sum deposited, and the monies shall be disbursed in accordance with the arbitration award. A service charge for the cost of account maintenance and service may be deducted therefrom.

(e) Notwithstanding any provision of this Code or any other ordinance to the contrary, no criminal penalties shall attach for violation of this article.

#### SECTION HISTORY

*Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Subsec. (d), Para. (1), Ord. No. 173,747, Eff. 2-24-01.*

#### Sec. 10.37.7 Administration.

The City Council shall by resolution designate a department or office, which shall promulgate rules for implementation of this article and otherwise coordinate administration of the requirements of this article ("designated administrative agency" - DAA). The DAA shall monitor compliance, including the investigation of claimed violations, and shall promulgate implementing regulations consistent with this article. The DAA shall also issue determinations that persons are City financial assistance recipients, that particular contracts shall be regarded as "service contracts" for purposes of Section 10.37.1(j), and that particular leases and licenses shall be regarded as "public leases" or "public licenses" for purposes of Section 10.37.1(i), when it receives an application for a determination of non-coverage or exemption as provided for in Section 10.37.13. The DAA shall also establish employer reporting requirements on employee compensation and on notification about and usage of the federal Earned Income Credit referred to in Section 10.37.4. The DAA shall report

on compliance to the City Council no less frequently than annually.

During the first, third, and seventh years of this article's operation since May 5, 1997, and every third year thereafter, the Office of Administrative and Research Services and the Chief Legislative Analyst shall conduct or commission an evaluation of this article's operation and effects. The evaluation shall specifically address at least the following matters: (a) how extensively affected employers are complying with the article; (b) how the article is affecting the workforce composition of affected employers; (c) how the article is affecting productivity and service quality of affected employers; (d) how the additional costs of the article have been distributed among workers, their employers, and the City. Within ninety days of the adoption of this article, these offices shall develop detailed plans for evaluation, including a determination of what current and future data will be needed for effective evaluation.

#### SECTION HISTORY

*Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Ord. No. 173,285, Eff. 6-26-00, Oper. 7-1-00; Ord. No. 173,747, Eff. 2-24-01.*

#### Sec. 10.37.8 Exclusion of Service Contracts from Competitive Bidding Requirement.

Service contracts otherwise subject to competitive bid shall be let by competitive bid if they involve the expenditure of at least two-million dollars (\$2,000,000). Charter Section 372 shall not be applicable to service contracts.

#### SECTION HISTORY

*Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Ord. No. 173,285, Eff. 6-26-00, Oper. 7-1-00.*

#### Sec. 10.37.9 Coexistence with Other Available Relief for Specific Deprivations of Protected Rights.

This article shall not be construed to limit an employee's right to bring legal action for violation of other minimum compensation laws.

### EXHIBIT L LIVING WAGE ORDINANCE

## SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.*

### Sec. 10.37.10 Expenditures Covered.

This article shall apply to the expenditure -- whether through aid to City financial recipients, service contracts let by the City, or service contracts let by its financial assistance recipients -- of funds entirely within the City's control and to other funds, such as federal or state grant funds, where the application of this article is consonant with the laws authorizing the City to expend such other funds.

## SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.*

### Sec. 10.37.11 Timing of Application.

(a) Original 1997 Ordinance. The provisions of this article as enacted by City Ordinance No.171,547, effective May 5, 1997, shall apply to (1) contracts consummated and financial assistance provided after such date, (2) contract amendments consummated after such date and before the effective date of the 1998 ordinance which themselves met the requirements of former Section 10.37.1(h) (definition of "service contract") or which extended contract duration, and (3) supplemental financial assistance provided after May 5, 1997 and before the effective date of the 1998 ordinance which itself met the requirements of Section 10.37.1(c).

(b) 1998 Amendment. The provisions of this article as amended by the 1998 ordinance shall apply to (1) service contracts, public leases or licenses, and financial assistance agreements consummated after the effective date of such ordinance and (2) amendments, consummated after the effective date of such ordinance, to service contracts, public leases or licenses, and financial assistance agreements that provide additional monies or which extend term.

(c) 2000 amendment. The provisions of this article as amended by the 2000 ordinance shall apply to (1) service contracts, public leases or public licenses and City financial assistance recipient agreements

consummated after the effective date of such ordinance and (2) amendments to service contracts, public leases or licenses and City financial assistance recipient agreements which are consummated after the effective date of such ordinance and which provide additional monies or which extend the term.

(d) 2009 Amendment. The provisions of this article as amended by the 2009 ordinance shall become operative ninety (90) days following the effective date of the 2009 ordinance.

## SECTION HISTORY

*Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Subsec. (b), Subsec. (c) Added, Ord. No. 173,747, Eff. 2-24-01; Subsec. (d) Added, Ord. No. 180,877, Eff. 10-19-09.*

### Sec. 10.37.12 Supersession by Collective Bargaining Agreement.

Parties subject to this article may by collective bargaining agreement provide that such agreement shall supersede the requirements of this article.

## SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.*

### Sec. 10.37.13 Liberal Interpretation of Coverage; Rebuttable Presumption of Coverage.

The definitions of "City financial assistance recipient" in Section 10.37.1(c), of "public lease or license" in Section 10.37.1(i), and of "service contract" in Section 10.37.1(j) shall be liberally interpreted so as to further the policy objectives of this article. All recipients of City financial assistance meeting the monetary thresholds of Section 10.37.1(c), all City leases and licenses (including subleases and sublicenses) where the City is the lessor or licensor, and all City contracts providing for services that are more than incidental, shall be presumed to meet the corresponding definition just mentioned, subject, however, to a determination by the DAA of non-coverage or exemption on any basis allowed by this article, including, but not limited to, non-coverage for failure to satisfy such definition. The DAA shall by regulation establish procedures for informing persons engaging in such transactions with

## EXHIBIT L LIVING WAGE ORDINANCE

the City of their opportunity to apply for a determination of non-coverage or exemption and procedures for making determinations on such applications.

#### **SECTION HISTORY**

*Added by Ord. No. 172,336, Eff. 1-14-99.  
Amended by: Ord. No. 173,747, Eff. 2-24-01.*

#### **Sec. 10.37.14 Severability**

If any provision of this article is declared legally invalid by any court of competent jurisdiction, the remaining provisions shall remain in full force and effect.

#### **SECTION HISTORY**

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99*

**EXHIBIT M**

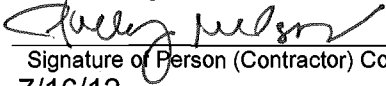
**LIVING WAGE POLICY DECLARATION OF COMPLIANCE FORM**

# LWO – OCC NON-COVERAGE/EXEMPTION APPLICATION

## OCC DETERMINATION/APPROVAL REQUIRED

**This application for non-coverage/exemption must be submitted by the Contractor along with its bid or proposal to the AWARDING DEPARTMENT. Awarding Departments may also apply for an exemption for OCC approval. INCOMPLETE SUBMISSIONS WILL BE RETURNED.**

Los Angeles Administrative Code 10.37, the Living Wage Ordinance (LWO), presumes all City contractors (including service contractors, subcontractors, financial assistance recipients, lessees, licensees, sublessees and sublicensees) are subject to the LWO unless an exemption applies.

CONTRACTOR INFORMATION:			
1. Company Name: <u>DFS Group L.P.</u>	Phone Number: <u>310-783-6749</u>		
2. Company Address: <u>1580 Francisco Street, Torrance, CA 90501</u>			
3. Are you a Subcontractor? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If YES, state the name of your Prime Contractor:			
4. Type of Service Provided: <u>Duty Free Concession Operations - LAX</u>			
NON-COVERAGE INFORMATION: TO BE REQUESTED BY AWARDING DEPARTMENTS OR CONTRACTORS			
REQUEST FOR NON-COVERAGE DETERMINATION	SUPPORTING DOCUMENTATION REQUIRED		
<input type="checkbox"/> Per Section 10.37.13 of the LWO, contractors may request a determination of non-coverage on any basis allowed by this article, including, but not limited to: non-coverage, for failure to satisfy definition of "City financial assistance recipient", "public lease/license", or "service contract".	A <i>detailed</i> memorandum explaining the basis of the request, which may include, but is not limited to: the terms of a city financial assistance agreement, purpose of the contract, location, and work performed. OCC may request further information to issue a determination.		
EXEMPTION INFORMATION:			
CHECK OFF ONE BOX BELOW THAT BEST DESCRIBES THE TYPE OF EXEMPTION YOU ARE APPLYING FOR AND ATTACH THE SUPPORTING DOCUMENTATION LISTED ON THE RIGHT:			
TO BE REQUESTED BY AWARDING DEPARTMENTS ONLY			
EXEMPTION	SUPPORTING DOCUMENTATION REQUIRED		
<input type="checkbox"/> Grant Funded Services, provided that the grant funding agency indicates in writing that the provisions of the Ordinances should not apply.	Provide a copy of grant-funding agency's determination to the OCC.		
TO BE REQUESTED BY CONTRACTORS ONLY			
EXEMPTION	SUPPORTING DOCUMENTATION REQUIRED		
<input checked="" type="checkbox"/> Collective bargaining agreement with supersession language - (LAAC 10.37.12): Contractors who are party to a collective bargaining agreement (CBA) which contains specific language indicating that the CBA will supersede the LWO may receive an exemption as to the employees covered under the CBA.	A copy of the CBA with the superseding language clearly marked  OR A letter from the union stating that the union has agreed to allow the CBA to supersede the LWO.		
<input type="checkbox"/> Occupational license required - (LAAC 10.37.1(f)): Only the individual employees who are required to possess an Occupational license to provide services to or for the City are exempt.	A listing of the employees required to possess occupational licenses to perform services to or for the City  AND Copies of each of these employees' occupational licenses.		
By signing, the contractor certifies under penalty of perjury under the laws of the State of California that the information submitted in support of this application is true and correct to the best of the contractor's knowledge.			
<b>Polly Nelson</b> Print Name of Person (Contractor) Completing This Form Managing Director-NAM <u>310-783-6749</u> Title                                      Phone #	 Signature of Person (Contractor) Completing This Form <u>7/16/12</u> Date		
ANY DETERMINATION/APPROVAL IS APPLICABLE ONLY TO THE LISTED CONTRACTOR FROM THE LWO DURING THE PERFORMANCE OF THIS CONTRACT. A SUBCONTRACTOR PERFORMING WORK ON THIS CONTRACT IS NOT EXEMPT UNLESS THE OFFICE OF CONTRACT COMPLIANCE HAS APPROVED A SEPARATE APPLICATION FOR THE INDIVIDUAL SUBCONTRACTOR.			
AWARDING DEPARTMENT USE ONLY:			
Dept:	Dept Contact:	Contact Phone:	Contract #:
OCC USE ONLY:			
Approved / Not Approved – Reason: _____			
By OCC Analyst: _____			Date: _____

**CITY OF LOS ANGELES**  
**Office of the City Administrative Officer**  
**Contractor Enforcement Section**  
**200 North Main Street, Room 606**  
**Los Angeles, CA 90012**  
**Phone: (213) 485-3514 – Fax: (213) 485-0672**

**DECLARATION OF COMPLIANCE**  
**Service Contract Worker Retention Ordinance and the Living Wage Ordinance**

Los Angeles Administrative Code (LAAC) Sections 10.36 et seq. and 10.37 et seq. provide that all employees (except where specifically exempted) under contracts primarily for the furnishing of services to or for the City and that involve an expenditure in excess of \$25,000 and a contract term of at least three months; leases; licenses or, certain recipients of City financial assistance, shall comply with all applicable provisions of the Ordinances.

During the performance of this agreement, the contractor, lessee, licensee, or City financial assistance recipient certifies that it shall comply and require each subcontractor hereunder to comply with the provisions of the above referenced Ordinances. The contractor shall provide to the City a list of all subcontractors and a list of all employees under the agreement (including employees of subcontractors) within 10 days after execution. The list of employees shall include the name, position classifications and rate of pay for each employee. An updated list shall be submitted upon demand and upon termination of the contract. A completed Declaration of Compliance from each subcontractor subject to the Living Wage Ordinance must be provided to the Office of the City Administrative Officer within 90 days of execution of the subcontract. In case of a successor service contract, a successor contractor shall retain for a 90-day transition employment period, employees who have been employed by the terminated contractor or its subcontractor, if any, for the preceding 12 months or longer, pursuant to Section 10.36.2.

The contractor, lessee, licensee, or City financial assistance recipient further agrees:

- (a) To pay covered employees a wage no less than the minimum initial compensation of \$7.99 per hour (adjusted July 1, 2001) with the health benefits, as referred to in (c) below, or otherwise \$9.24 per hour (adjusted July 1, 2001), pursuant to Section 10.37.2(a). Such rates shall be adjusted annually and shall become effective July 1.
- (b) To provide at least 12 compensated days off per year for sick leave, vacation or personal necessity at the employee's request, and at least 10 additional days per year of uncompensated time off pursuant to Section 10/37.2(b) and Regulation 4(e)(3)'
- (c) Where so elected under (a) above, to pay at least \$1.24 per hour per employee toward the provision of health benefits for the employees and their dependents pursuant to Section 10.37.3;
- (d) To inform employees making less than \$12 per hour of their possible right to the federal Earned Income Tax Credit (EITC) and make available the forms required to secure advance EITC payments from the employer pursuant to Section 10.37.4;
- (e) To permit access to work sites for authorized City representatives to review the operation, payroll and related documents, and to provide certified copies of the relevant records upon request by the City; and,
- (f) Not to retaliate against any employee claiming non-compliance with the provisions of these Ordinances and to comply with federal law prohibiting retaliation for union organizing.

**Failure to complete and submit this form to the Awarding Authority and to the Office of the City Administrative Officer may result in withholding of payments by the City Controller, or contract termination.**

**Check box only if applicable:  I certify under penalty of perjury that I do not have any employees earning less than \$15 per hour working on this City agreement.**

Company Name		Signature of Officer or Authorized Representative	
Company Address and Phone Number		Type or Printed Name and Title	
Date	Contact Number	Awarding City Department	Type of Service

Form CAO/LW-5, Rev. 7/5/01

**EXHIBIT M**  
**Declaration of Compliance**

**EXHIBIT N**

**SERVICE CONTRACT WORKER RETENTION ORDINANCE**

**LOS ANGELES ADMINISTRATIVE CODE**  
**Div. 10, Ch. 1, Art. 10**

**SERVICE CONTRACTOR WORKER RETENTION ORDINANCE**

**Sec. 10.36 Findings and Statement of Policy.**

The City awards many contracts to private firms to provide services to the public and to City government. The City awards many contracts to private firms to provide services to the public and to City government. The City also provides financial assistance and funding to others for the purpose of economic development or job growth. At the conclusion of the terms of a service contract with the City or with those receiving financial assistance from the City, competition results in the awarding of a service contract to what may be a different contractor. These new contracts often involve anticipated changes in different managerial skills, new technology or techniques, new themes or presentations, or lower costs.

The City expends grant funds under programs created by the federal and state governments. Such expenditures serve to promote the goals established for those programs by such governments and similar goals of the City. The City intends that the policies underlying this article serve to guide the expenditure of such funds to the extent allowed by the laws under which such grant programs are established.

Despite desired changes through the process of entering into new contracts, it is the experience of the City that reasons for change do not necessarily include a need to replace workers presently performing services who already have useful knowledge about the workplace where the services are performed.

Incumbent workers have already invaluable knowledge and experience with the work schedules, practices, and clients. The benefits of replacing these workers without such experiences decreases efficiency and results in a disservice to City and City financed or assisted projects.

Retaining existing service workers when a change in contractors occurs reduces the likelihood of labor disputes and disruptions. The reduction of the likelihood of labor disputes and disruptions results in the assured continuity of services to citizens who receive services provided by the City or by City financed or assisted projects.

It is unacceptable that contracting decisions involving the expenditure of City funds should have any potential effect of creating unemployment and the consequential need for social services. The City, as a principal provider of social support services, has an interest in the stability of employment under contracts with the City or by those receiving financial assistance from the City. The retention of existing workers benefits that interest.

**SECTION HISTORY**

*Article and Section Added by Ord. No. 170,784, Eff. 1-13-96.  
Amended by: Article and Section, Ord. No. 171,004, Eff. 5-18-96.*

**Sec. 10.36.1. Definitions.**

The following definitions shall apply throughout this article:

(a) "**Awarding authority**" means that subordinate or component entity or person of the City (such as a department) or of the financial assistance recipient that awards or is otherwise responsible for the administration of a service contract or, if none, then the City or the City financial assistance recipient.

(b) "**City**" means the City of Los Angeles and all awarding authorities thereof, including those City departments which exercise independent control over their expenditure of funds, but excludes the Community Redevelopment Agency of the City of Los Angeles.

(c) "**City financial assistance recipient**" means any person that receives from the City in any twelve-month period discrete financial assistance for economic development or job growth expressly articulated and identified by the City totaling at least one hundred thousand dollars (\$100,000); provided, however, that corporations organized under Section § 501(c)(3) of the United States Internal Revenue Code of 1954, 26 U.S.C. § 501(c)(3), with annual operating budgets of less than five million dollars (\$5,000,000) or that regularly employ homeless persons, persons who are chronically unemployed, or persons receiving public assistance, shall be exempt.

Categories of such assistance include, but are not limited to, bond financing, planning assistance, tax

increment financing exclusively by the City, and tax credits, and shall not include assistance provided by the Community Development Bank. City staff assistance shall not be regarded as financial assistance for purposes of this article. A loan shall not be regarded as financial assistance. The forgiveness of a loan shall be regarded as financial assistance. A loan shall be regarded as financial assistance to the extent of any differential between the amount of the loan and the present value of the payments thereunder, discounted over the life of the loan by the applicable federal rate as used in 26 U.S.C. Sections 1274(d), 7872(f). A recipient shall not be deemed to include lessees and sublessees. Service contracts for economic development or job growth shall be deemed such assistance once the \$100,000 threshold is reached.

(d) **"Contractor"** means any person that enters into a service contract with the City or a City financial assistance recipient.

(e) **"Employee"** means any person employed as a service employee of a contractor or subcontractor earning less than fifteen dollars (\$15.00) per hour in salary or wage whose primary place of employment is in the City on or under the authority of a service contract and including but not limited to: hotel employees; restaurant, food service or banquet employees; janitorial employees; security guards; parking attendants; nonprofessional health care employees; gardeners; waste management employees; and clerical employees; and does not include a person who is (1) a managerial, supervisory, or confidential employees, or (2) required to possess an occupational license.

(f) **"Person"** means any individual, proprietorship, partnership, joint venture, corporation, limited liability company, trust, association, or other entity that may employ individuals or enter into contracts.

(g) **"Service contract"** means a contract let to a contractor by the City or a City financial assistance recipient primarily for the furnishing of services to or for the City or financial assistance recipient (as opposed to the purchase of goods or other property) and that involves an expenditure or receipt in excess of twenty-five thousand dollars (\$25,000) and a contract term of at least three months.

(h) **"Subcontractor"** means any person not an employee that enters into a contract with a contractor to assist the contractor in performing a service

contract and that employs employees for such purpose.

(i) **"Successor service contract"** means a service contract where the services to be performed are substantially similar to a service contract that has been recently terminated.

## SECTION HISTORY

*Added by Ord. No. 170,784, Eff. 1-13-96.*

*Amended by: Ord. No. 171,004, Eff. 5-18-96; Subsec. (c), Ord. No. 172,843, Eff. 11-4-99.*

### Sec. 10.36.2. Transition Employment Period.

(a) Where an awarding authority has given notice that a service contract has been terminated, or where a service contractor has given notice of such termination, upon receiving or giving such notice, as the case may be, the terminated contractor shall within ten (10) days thereafter provide to the successor contractor the name, address, date of hire, and employment occupation classification of each employee in employment, of itself or subcontractors, at the time of contract termination. If the terminated contractor has not learned the identity of the successor contractor, if any, by the time that notice was given of contract termination, the terminated contractor shall obtain such information from the awarding authority. If a successor service contract has not been awarded by the end of the ten (10)-day period, the employment information referred to earlier in this subsection shall be provided to the awarding authority at such time. Where a subcontract of a service contract has been terminated prior to the termination of the service contract, the terminated subcontractor shall for purposes of this article be deemed a terminated contractor.

(1) Where a service contract or contracts are being let where the same or similar services were rendered by under multiple service contracts, the City or City financial aid recipient shall pool the employees, ordered by seniority within job classification, under such prior contracts.

(2) Where the use of subcontractors has occurred under the terminated contract or where the use of subcontractors is to be permitted under the successor contract, or where both circumstances arise, the City or City financial assistance recipient shall pool, when applicable, the employees, ordered by seniority within job classification, under such prior contracts or

subcontracts where required by and in accordance with rules authorized by this article.

(b) A successor contractor shall retain, for a ninety (90)-day transition employment period, employees who have been employed by the terminated contractor or its subcontractors, if any, for the preceding twelve (12) months or longer. Where pooling of employees has occurred, the successor contractor shall draw from such pools in accordance with rules established under this article. During such ninety (90)-day period, employees so hired shall be employed under the terms and conditions established by the successor contractor (or subcontractor) or as required by law.

(c) If at anytime the successor contractor determines that fewer employees are required to perform the new service contract than were required by the terminated contractor (and subcontractors, if any), the successor contractor shall retain employees by seniority within job classification.

(d) During such ninety (90)-day period, the successor contractor (or subcontractor, where applicable) shall maintain a preferential hiring list of eligible covered employees not retained by the successor contractor (or subcontractor) from which the successor contractor (or subcontractor) shall hire additional employees.

(e) Except as provided in subsection (c) of this section, during such ninety (90)-day period the successor contractor (or subcontractor, where applicable) shall not discharge without cause an employee retained pursuant to this article. "Cause" for this purpose shall include, but not be limited to, the employee's conduct while in the employ of the terminated contractor or subcontractor that contributed to any decision to terminate the contract or subcontract for fraud or poor performance.

(f) At the end of such ninety (90)-day period, the successor contractor (or subcontractor, where applicable) shall perform a written performance evaluation for each employee retained pursuant to this article. If the employee's performance during such ninety (90)-day period is satisfactory, the successor contractor (or subcontractor) shall offer the employee continued employment under the terms and conditions established by the successor contractor (or subcontractor) or as required by law. During such ninety (90)-day period, the successor contractor shall maintain a preferential hiring list of eligible covered employees not retained by the successor contractor

from which the successor contractor shall hire additional employees.

(g) If the City or a City financial assistance recipient enters into a service contract for the performance of work that prior to the service contract was performed by the City's or the recipient's own service employees, the City or the recipient, as the case may be, shall be deemed to be a "terminated contractor" within the meaning of this section and the contractor under the service contract shall be deemed to be a "successor contractor" within the meaning of this section and section 10.36.3.

### SECTION HISTORY

*Added by Ord. No. 170,784, Eff. 1-13-96.*

*Amended By: Ord. No. 171,004, Eff. 5-18-96; Subsec. (g) Added, Ord. No. 172,349, Eff. 1-29-99.*

### Sec. 10.36.3. Enforcement.

(a) An employee who has been discharged in violation of this article by a successor contractor or its subcontractor may bring an action in the Municipal Court or Superior Court of the State of California, as appropriate, against the successor contractor and, where applicable, its subcontractor, and may be awarded:

(1) Back pay for each day during which the violation continues, which shall be calculated at a rate of compensation not less than the higher of:

(A) The average regular rate of pay received by the employee during the last 3 years of the employee's employment in the same occupation classification; or

(B) The final regular rate received by the employee.

(2) Costs of benefits the successor contractor would have incurred for the employee under the successor contractor's (or subcontractor's, where applicable) benefit plan.

(b) If the employee is the prevailing party in any such legal action, the court shall award reasonable attorney's fees and costs as part of the costs recoverable.

(c) Compliance with this article shall be required in all City contracts to which it applies, and such contracts shall provide that violation of this article

shall entitle the City to terminate the contract and otherwise pursue legal remedies that may be available.

(d) Notwithstanding any provision of this Code or any other ordinance to the contrary, no criminal penalties shall attach for any violation of this article.

#### SECTION HISTORY

*Added by Ord. No. 170,784, Eff. 1-13-96.  
Amended By: Ord. No. 171,004, Eff. 5-18-96.*

#### Sec. 10.36.4. Exemption for Successor Contractor or Subcontractor's Prior Employees.

An awarding authority shall upon application by a contractor or subcontractor exempt from the requirements of this article a person employed by the contractor or subcontractor continuously for at least twelve (12) months prior to the commencement of the successor service contract or subcontract who is proposed to work on such contract or subcontract as an employee in a capacity similar to such prior employment, where the application demonstrates that (a) the person would otherwise be laid off work and (b) his or her retention would appear to be helpful to the contractor or subcontractor in performing the successor contract or subcontract. Once a person so exempted commences work under a service contract or subcontract, he or she shall be deemed an employee as defined in Section 10.36.1(e) of this Code.

#### SECTION HISTORY

*Added by Ord. No. 170,784, Eff. 1-13-96.  
Amended By: Ord. No. 171,004, Eff. 5-18-96.*

#### Sec. 10.36.5. Coexistence with Other Available Relief for Specific Deprivations of Protected Rights.

This article shall not be construed to limit an employee's right to bring legal action for wrongful termination.

#### SECTION HISTORY

*Added by Ord. No. 170,784, Eff. 1-13-96.  
Amended By: Ord. No. 171,004, Eff. 5-18-96.*

#### Sec. 10.36.6. Expenditures Covered by this Article.

This article shall apply to the expenditure, whether through service contracts let by the City or by its financial assistance recipients, of funds entirely

within the City's control and to other funds, such as federal or state grant funds, where the application of this article is consonant with the laws authorizing the City to expend such other funds. City financial assistance recipients shall apply this article to the expenditure of non-City funds for service contracts to be performed in the City by complying themselves with § 10.36.2(g) and by contractually requiring their service contractors to comply with this article. Such requirement shall be imposed by the recipient until the City financial assistance has been fully expended.

#### SECTION HISTORY

*Added by Ord. No. 171,004, Eff. 5-18-96.  
Amended by: Ord. No. 172,337, Eff. 1-14-99; Ord. No. 172,843, Eff. 11-4-99*

#### Sec. 10.36.7. Timing of Application of Ordinances Adding and then Amending this Article.

The provisions of this article as set forth in City Ordinance No. 171,004 shall apply to contracts consummated and financial assistance provided after May 18, 1996 (the effective date of City Ordinance No. 171,004). As for contracts consummated and financial assistance provided after the original version of this article took effect on January 13, 1996 (by City Ordinance No. 170,784) and through May 18, 1996, the City directs its appointing authorities and urges others affected to use their best efforts to work cooperatively so as to allow application City Ordinance No. 171,004 rather than City Ordinance No. 170,784 to service contracts let during such period. No abrogation of contract or other rights created by City Ordinance No. 170,784, absent consent to do so, shall be effected by the retroactive application of City Ordinance No. 171,004.

#### SECTION HISTORY

*Added by Ord. No. 171,784, Eff. 1-13-96.  
Amended by: Ord. No. 171,004, Eff. 5-18-96; Ord. No. 172,337, Eff. 1-14-99.*

#### Sec. 10.36.8. Promulgation of Implementing Rules.

The City Council shall by resolution designate a department or office, which shall promulgate rules for implementation of this article and otherwise coordinate administration of the requirements of this article.

#### SECTION HISTORY

*Added by Ord. No. 171,004, Eff. 5-18-96.*

**Sec. 10.36.9. Severability.**

If any severable provision or provisions of this article or any application thereof is held invalid, such invalidity shall not affect other provisions or applications of the article that can be given effect notwithstanding such invalidity.

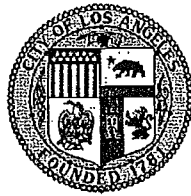
**SECTION HISTORY**

*Added by Ord. No. 171,004, Eff.5-18-96.*

**EXHIBIT O**

**CONTRACTOR RESPONSIBILITY PROGRAM PLEDGE OF COMPLIANCE RULES**

# LOS ANGELES WORLD AIRPORTS



## CONTRACTOR RESPONSIBILITY PROGRAM RULES AND REGULATIONS FOR LEASES

Effective date: May 20, 2002

Procurement Services Division  
7301 World Way West, Rm 105  
Los Angeles, CA 900145  
(310) 417-6495  
(310) 646-7098 (Fax)

**CONTENTS**

A. DEFINITIONS..... 2

B. SUBMISSION OF CRP QUESTIONNAIRES ..... 3

C. LAWA REVIEW OF SUBMITTED CRP QUESTIONNAIRES ..... 3

D. AWARD AND EXECUTION OF LEASES ..... 5

E. LEASE AMENDMENTS.....7

F. TENANT NOTIFICATION OF INVESTIGATIONS AND UPDATE OF INFORMATION ... 7

G. LAWA INVESTIGATION..... 9

H. VIOLATIONS OF THE CRP OR ITS RULES AND REGULATIONS ..... 100

I. NON-RESPONSIBILITY HEARING..... 11

J. NON-RESPONSIBILITY SANCTIONS ..... 12

K. EXEMPTIONS.....13

L. EFFECTIVE DATE OF CRP RULES AND REGULATIONS..... 14

M. CONSISTENCY WITH FEDERAL AND STATE LAW..... 14

N. SEVERABILITY.....14

**Los Angeles World Airports (LAWA)  
Contractor Responsibility Program for Leases  
Rules and Regulations for Leases**

2

These Rules and Regulations are promulgated pursuant to Board Resolution #21601, the Los Angeles World Airports Contractor Responsibility Program (CRP). Each Requesting LAWA Division shall cooperate to the fullest extent with the Executive Director in the administration of the CRP. The Executive Director may amend these Rules and Regulations from time to time as required for the implementation of the CRP.

**A. DEFINITIONS**

**1. Adoption of CRP definitions:** For purposes of these Rules and Regulations, the definitions set forth in the Board Resolution are incorporated herein, and include the following:

- a. **Board**
- b. **Executive Director**
- c. **Los Angeles World Airports (LAWA)**
- d. **Lease agreement** means a written document in which the rights to use and occupancy of land or structures are transferred by the owner to another for a specified of time in return for a specified rent.
- e. **Tenant** - means Lessee
- f. **Subtenant** - means Sublessee
- g. **Prospective tenant** – means a firm or individual not currently a LAWA tenant
- h. **New Lease agreement** - means new leasehold premises for a prospective tenant. A lease with a firm or individual not currently a LAWA tenant.
- i. **Additional Lease agreement** - means new leasehold premises for a current tenant
- j. **Renewal Lease** - means same leasehold premises for a current tenant
- k. **Amendment** - means modified terms on same leasehold premises for a current tenant
- l. **Public Lease** - means a lease of LAWA property

**2. New Definitions**

- a. **"CRP Questionnaire"** means the set of questions developed by Procurement Services Division (PSD) that will assist LAWA in determining a prospective tenant's responsibility. Information solicited from the CRP Questionnaire may include but is not limited to: ownership and name changes, financial resources and responsibility, satisfactory performance of other leases, satisfactory record of compliance with relevant laws and regulations, and satisfactory record of business integrity. PSD may amend the CRP Questionnaire from time to time.
- b. **"CRP Pledge of Compliance"** means the CRP Pledge developed by the PSD. The CRP Rules and Regulations may be updated from time to time by the PSD. The CRP Pledge shall require contractors to sign under penalty of perjury that the Tenant will:

- (1) Comply with all applicable Federal, State, and local laws that apply to the lease agreement, including but not limited to, laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.
- (2) Notify LAWA within thirty (30) calendar days after receiving notification that any government agency has initiated an investigation that may result in a finding that the Tenant is not in compliance with subparagraph 2(b)(1).
- (3) Notify LAWA within thirty (30) calendar days of all findings by a government agency or court of competent jurisdiction that the Tenant has violated subparagraph 2(b) (1).
- (4) Ensure that Subtenants occupying space through any Sublease in connection with a LAWA lease agreement shall complete and sign a Pledge of Compliance attesting under penalty of perjury to compliance with paragraphs 2(b)(1) through (3). To submit to LAWA the completed Pledges.
- (5) Notify LAWA within thirty (30) days of becoming aware of an investigation, violation or finding of any applicable Federal, State, or local law involving any Subtenant(s) in the LAWA lease agreement.
- (6) Cooperate fully with LAWA during an investigation and to respond to request(s) for information within ten (10) working days from the date of the Notice to Respond.

## **B. SUBMISSION OF CRP QUESTIONNAIRES**

1. **Prospective Tenants** are required to submit a completed and signed CRP Questionnaire for determination of responsibility prior to award of the lease.
2. **Current Tenants** : The requirement to submit a CRP Questionnaire is not applicable to current tenant. See Section D(2)(a)
3. **Subtenants**: The requirement to submit a CRP Questionnaire is not applicable to subtenants. See Section D(2)(b)

## **C. LAWA REVIEW OF SUBMITTED CRP QUESTIONNAIRES – APPLIES TO PROSPECTIVE TENANTS ONLY.**

### **1. Posting of CRP Questionnaires and Subtenant Lists:**

**Prospective Tenants:** The Requesting LAWA Division will forward to PSD the completed CRP Questionnaires and Subtenant list(s), if any, submitted by the prospective tenants to make available for public review and comment for a minimum of fourteen (14) calendar days prior to the award of the lease.

**Current Tenants:** The requirement to submit a CRP Questionnaire is not applicable to current tenants. Subtenants of current tenants are listed on the LAWA website.

## **2. Departmental Review of CRP Questionnaires**

- a. PSD will determine Contractor Responsibility from the completeness and accuracy of the information in the submitted CRP Questionnaire; information from various compliance and regulatory agencies; accuracy and completeness of the information received from the public; and through PSD's own reviews and investigations.
- b. PSD may submit written requests to the tenant for clarification or additional documentation. Failure to respond to these requests within the specified time may render the tenant non-responsible and disqualified.
- c. PSD will report its findings and determination to the Requesting LAWA Division.
- d. No lease award will be made by LAWA until after the CRP review and determination has been made.
- e. The CRP Questionnaire of the prospective tenant awarded the lease will be retained by PSD. The CRP Questionnaires for the prospective tenants not awarded the lease will also be retained by PSD.

## **3. Claims Resulting from Public Review and Comments**

### **Prospective Tenants/Subtenants:**

- a. Claims regarding a tenant/subtenant's responsibility must be submitted to PSD in writing. However, PSD may investigate a claim regarding a tenant/subtenant's responsibility, whether or not it is submitted in writing.
- b. If PSD receives information which calls into question a tenant/subtenant's responsibility, and the information was received **before** the lease/sublease has been executed, PSD shall:
  - (1) Notify the Requesting Division in writing that no lease/sublease shall be awarded until PSD has completed investigation into the matter.
  - (2) Investigate the complaint, collect necessary documentation, and determine the complaint's validity.
  - (3) Upon completion of the investigation, notify the Requesting Division in writing of the results of the investigation.
  - (4) Findings from the PSD investigation received by the Requesting Division will be considered by the Requesting Division as part of the determination of the tenant/subtenant's responsibility.

**Current Tenants/Subtenants:**

- a. Claims regarding a tenant/subtenant's responsibility must be submitted to PSD in writing. However, PSD may investigate a claim regarding a tenant/subtenant's responsibility, whether or not it is submitted in writing.
- b. If PSD receives written information that calls into question a current tenant/subtenant's responsibility, PSD shall investigate the matter as required in Section G, LAWA Investigation.

**D. AWARD AND EXECUTION OF LEASES**

**1. Determination of Responsibility and Award of Lease**

**Prospective Tenants/Subtenants:**

- a. PSD shall determine whether a tenant/subtenant is a responsible tenant/subtenant with the necessary quality, fitness and capacity to comply with the terms of the lease by considering the following:
  - (1) Completeness and accuracy of the Information contained in the CRP Questionnaire;
  - (2) Completeness and accuracy of the information received from the public;
  - (3) Information and documentation from PSD's own investigation; and
  - (4) Information that may be available from any compliance or regulatory governmental agency.
- b. Board may award and Executive Director may execute a lease with a prospective tenant only if:
  - (1) The tenant's CRP Questionnaire, and Subtenant's list(s), if any, has been made available for public review for at least fourteen (14) calendar days unless otherwise exempted from the posting requirement by the CRP;
  - (2) The tenant is not being investigated pursuant to the CRP;
  - (3) The tenant has not been found to be a non-responsible contractor pursuant to the CRP;
  - (4) The tenant does not appear on any City list of debarred bidders or contractors; and
  - (5) The tenant has met all other applicable City requirements.

**Current Tenants/Subtenants:**

- a. PSD shall determine whether a tenant/subtenant is a responsible tenant/subtenant with the necessary quality, fitness and capacity to comply with the terms of the lease by considering the following:

- (1) Completeness and accuracy of any information received from the public;
- (2) Information and documentation from PSD's own investigation; and
- (3) Information that may be available from any compliance or regulatory governmental agency.

## **2. Submission of Pledge of Compliance**

### **Prospective and Current Tenants:**

- a. Unless otherwise exempt from the CRP, all prospective and current tenants/subtenants are required to submit a CRP Pledge of Compliance signed under penalty of perjury. Failure to submit a CRP Pledge of Compliance as required may render the tenant/subtenant non-compliant with the terms of the lease and subject to sanctions.

### **Subtenants:**

- b. Within ten (10) calendar days of execution of a sublease, the tenant shall submit to LAWA a signed CRP Pledge of Compliance from each subtenant listed as occupying space on the leasehold premises.

## **3. Subtenant Responsibility**

- a. Tenants shall ensure that their subtenants meet the criteria for responsibility set forth in the CRP and these Rules and Regulations unless the sublease is not subject to the CRP.
- b. Tenants shall ensure that subtenants occupying space on the LAWA leasehold premises shall complete and submit a signed CRP Pledge of Compliance.
- c. Tenants shall not use in any capacity any subtenant that has been determined or found to be a non-responsible contractor by LAWA or the City.
- d. Subject to approval by the LAWA Requesting Division, tenants may substitute a non-responsible subcontractor with another subtenant.

## **4. Execution of Contracts**

### **Prospective Tenants:**

- a. Unless exempt from the CRP, all lease agreements subject to the CRP shall contain language obligating the contractor to comply with the CRP.
- b. No lease agreement may be executed unless:

**Los Angeles World Airports (LAWA)  
Contractor Responsibility Program for Leases  
Rules and Regulations for Leases**

7

- (1) The prospective tenant's CRP Questionnaire, unless otherwise exempt, has been made available for public review for at least fourteen (14) calendar days
- (2) The tenant has submitted a signed Pledge of Compliance with the CRP.
- (3) The prospective tenant's subtenant list, if any, has been made available for public review for at least fourteen (14) calendar days.
- (4) The prospective tenant is determined by LAWA to be a Responsible Contractor.

**Current Tenants:**

- a. Unless exempt from the CRP, all lease agreements subject to the CRP shall contain language obligating the tenant to comply with the CRP.
- b. No lease agreement may be executed unless the tenant has submitted a signed Pledge of Compliance with the CRP.

**E. LEASE AMENDMENTS**

Compliance with the CRP is required in lease amendments if the initial lease was not subject to the CRP, but the total term and amount of the lease, inclusive of all amendments, would make the lease subject to the CRP.

- a. A tenant subject to the CRP because of an amendment shall submit a CRP Pledge of Compliance to LAWA before the lease amendment can be executed.
- b. Unless exempt from the CRP, all lease amendments subject to the CRP shall contain contract language obligating the contractor to comply with the CRP.

**F. TENANT NOTIFICATION OF INVESTIGATIONS AND UPDATE OF INFORMATION**

**1. Notification of Investigations**

**Prospective and Current Tenants shall:**

- a. Notify LAWA within thirty (30) calendar days after receiving notification that any government agency has initiated an investigation that may result in a finding that the tenant is not in compliance with any applicable Federal, State, or local law that apply to the LAWA or City lease agreement, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.
- b. Notify LAWA within thirty (30) calendar days of receiving notice of any findings by a government agency or court of competent jurisdiction that the tenant violated any applicable Federal, State, or local law that apply to the LAWA or City lease agreement, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.

- c. Notify LAWA within thirty (30) calendar days of becoming aware of an investigation, violation or finding of any applicable Federal, State, or local law involving the subtenants in the performance of a LAWA or City lease agreement.

## **2. Subtenant Notification of Investigations**

Tenants shall ensure that subtenants occupying the LAWA leasehold premises abide by these same updating requirements, including the requirement to:

- a. Notify LAWA within thirty (30) calendar days after receiving notification that any government agency has initiated an investigation which may result in a finding that the subtenant did not comply with any applicable Federal, State, or local law that apply to the LAWA or City lease agreement, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.
- b. Notify LAWA within thirty (30) calendar days of all findings by a government agency or court of competent jurisdiction that the subtenant violated any applicable Federal, State, or local law that apply to the LAWA or City lease agreement, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.

## **3. Update of CRP Questionnaire Information – applies to Prospective Tenants only.**

- a. Updates of information contained in the prospective tenant's responses to the CRP Questionnaire shall be submitted to LAWA within thirty (30) days of any changes to the responses if the change would affect the prospective tenant's fitness and ability to comply with the terms of the lease.
- b. PSD, or the Requesting Division, shall determine whether a tenant in a specific situation should have provided updated information.
  - (1) If PSD, or the Requesting Division, becomes aware of new information concerning a tenant and determines that the tenant should have provided information or updated LAWA of such information, but the tenant has not done so, PSD shall issue a written notice to the tenant requiring the tenant to submit the required information within (ten) 10 calendar days.
  - (2) If PSD or the Requesting Division becomes aware of new information concerning a subtenant and determines that the subtenant should have provided information or updated LAWA of such information, but the subtenant has not done so, PSD shall issue a written notice to the tenant requiring the subtenant to submit the required information within (ten) 10 calendar days.

- c. Tenant's failure to provide information or updated information when required by LAWA, the CRP or these Rules and Regulations, may be considered a material breach of the lease agreement, and LAWA may invoke remedies set forth in Section J of these Rules and Regulations

- 4. **Submission of CRP Questionnaires and Updates of CRP Questionnaire Is Not Applicable to Current Tenants and Subtenants:** The requirement that tenants submit to LAWA CRP Questionnaires and updates to the CRP Questionnaire responses does not apply to current tenants and subtenants.

#### **G. LAWA INVESTIGATION**

- 1. **Reporting of Alleged Violations:** Claims regarding a tenant/subtenant's responsibility must be submitted to PSD in writing. However, PSD may investigate a claim regarding a tenant/subtenant's responsibility, whether or not it is submitted in writing.

- 2. **Process:**

- a. Upon receipt of a complaint or upon initiation of an investigation, PSD shall notify the Requesting Division and the tenant in writing that an investigation has been initiated.
- b. PSD shall collect necessary facts and documentation from the complainant(s). To the extent permissible, PSD shall maintain the identity of the complainant, if any, confidential.
- c. PSD shall issue a "Notice to Respond" to the tenant summarizing the facts of the investigation.
- d. The tenant shall cooperate fully and respond to LAWA's request for information within ten (10) working days from the date of the Notice to Respond.
- e. A tenant's failure to cooperate or respond to the Notice to Respond will be deemed conclusive admission that the tenant/subtenant is a non-responsible contractor/subcontractor and LAWA may initiate a hearing as set forth in Section I of these Rules and Regulations.

Where the Subtenant is the alleged entity, the tenant shall gather the necessary information and respond to LAWA's request for information.

- f. Upon completion of the investigation, PSD shall prepare a written report of the findings and notify the Requesting Division, the tenant, and complainant(s), if applicable, of the results.

### **3. Results of Investigation**

#### **Prospective Tenants**

- a. When an investigation is completed **before** the lease is awarded, PSD shall notify the Requesting Division of the results, and Requesting Division will consider the information as part of the determination of a tenant's responsibility.
  - (1) If the tenant is found non-responsible, PSD shall notify the tenant, and the Requesting Division, of the proposed determination of non-responsibility and provide an opportunity for a hearing as set forth in Section I of these Rules and Regulations.
  - (2) If the tenant fails to exercise the right to a hearing within ten (10) working days of the date of the notice of the proposed determination of non-responsibility, the tenant shall be deemed to waive the right to a hearing. PSD may proceed to declare the tenant a non-responsible contractor without a hearing and LAWA may invoke remedies set forth in Section J of these Rules and Regulations.

#### **Current Tenants**

- b. When an investigation is completed **after** the execution of a contract:
  - (1) If violations of the CRP are found, PSD shall notify the Requesting Division and tenant of the violation and require the tenant to submit an explanation and information on the status of the violation within (ten)10 calendar days.
  - (2) After review of the information regarding the violation, PSD may:
    - (i) Proceed to declare the tenant a non-responsible contractor and LAWA may invoke remedies as set forth in Section J of these Rules and Regulations; or
    - (ii) Declare the tenant a responsible contractor.
  - (3) If the tenant fails to provide information regarding the violation as required, PSD shall notify the Requesting Division and may:
    - (i) Proceed to declare the tenant a non-responsible contractor and LAWA may invoke remedies as set forth in Section J of these Rules and Regulations.

## **H. VIOLATIONS OF THE CRP OR ITS RULES AND REGULATIONS**

1. Claims regarding a tenant's responsibility must be submitted to PSD in writing. However, PSD may investigate a claim regarding a tenant's responsibility, whether or not it is submitted in writing.

2. A tenant/subtenant will be considered in violation of the CRP and sanctioned if the tenant/subtenant:
  - a. Does not submit required CRP documents
  - b. Submits incomplete, inaccurate, or unsigned CRP documents, or
  - c. Does not cooperate with PSD during its investigation, and/or fails to respond to PSD's Notice to Respond within the time allowed, or
  - d. Is determined by LAWA to be a non-responsible contractor/subcontractor after a review of the CRP documents, supportive documentation and/or public comments.
3. If violations of the CRP are found, PSD shall notify the Requesting Division and the tenant of the violation and require the tenant to submit an explanation and information on the status of the violation within 10 calendar days.
4. After review of the information regarding the violation, PSD may:
  - a. Proceed to declare the tenant a non-responsible contractor and LAWA may invoke remedies as set forth in Section J of these Rules and Regulations; or
  - b. Declare the tenant a responsible contractor.
5. If the tenant fails to provide information regarding the violation as required, PSD shall notify the Requesting Division and may:
  - a. Proceed to declare the tenant a non-responsible contractor and LAWA may invoke remedies as set forth in Section J of these Rules and Regulations.

**I. NON-RESPONSIBILITY HEARING**

1. PSD, after consultation with the City Attorney, shall initiate the process of declaring a tenant as a non-responsible contractor.
2. Before a tenant may be declared non-responsible, PSD shall notify the tenant, and the Requesting Division, of the proposed determination of non-responsibility and provide with an opportunity for a hearing.
3. PSD shall administer a procedure for the non-responsibility hearing which, at minimum, must include the following:
  - a. The tenant shall be provided with a written Notice that LAWA intends to declare the tenant a non-responsible contractor.
  - b. The Notice shall provide the tenant with the following information:
    - (1) That LAWA intends to declare the tenant a non-responsible contractor.
    - (2) A summary of the information upon which LAWA is relying upon.

- (3) That the tenant has a right to respond to the information by requesting a hearing to rebut adverse information and to present evidence of the necessary quality, fitness and capacity to comply with the terms of the lease required under the lease agreement or for future lease agreements.
  - (4) That the tenant shall exercise the right to a hearing by submitting to PSD a written request for a hearing within (ten) 10 working days of the date of the notice.
  - (5) That failure to submit a written request for hearing within the required time frame shall be considered a waiver of the right to a hearing that allows LAWA to proceed with the determination of non-responsibility.
4. If the tenant fails to exercise the right to a hearing within ten (10) working days of the date of the Notice of the proposed determination of non-responsibility, the tenant shall be deemed to waive the right to a hearing. PSD may proceed to declare the tenant a non-responsible contractor without a hearing and LAWA may invoke remedies as set forth in Section J of these Rules and Regulations.
5. If the tenant submits a written request for a hearing, the hearing may be held with the head of PSD, Requesting Division, City Attorney and/or their respective designees. LAWA may determine that the tenant:
  - a. Does not possess the necessary quality, fitness, or capacity to comply with the terms of the lease, should be declared a non-responsible contractor, and invoke remedies as set forth in Section J of these Rules and Regulations; or
  - b. Should be declared a responsible contractor.
6. LAWA's determination shall be final and constitute exhaustion of administrative remedies.
7. PSD shall provide LAWA's written final decision to the tenant and to the Requesting Division. If the tenant is declared to be non-responsible, a copy of the final decision shall also be provided to the City Administrative Officer.

## **J. NON-RESPONSIBILITY SANCTIONS**

### **Sanctions for Airline Tenants:**

Airline tenants that do not comply with CRP requirements and/or are determined non-responsible by LAWA will be declared to have a material breach of the lease agreement. LAWA may exercise its legal remedies thereunder, which are to include, but not limited to:

1. Non-issuance of a successor ACOP, paying landing fees at the higher rate of non-permitted carriers;
2. Losses of exclusive, preferential and/or historical gate assignments;
3. Termination of the lease agreement.

**Sanctions for Non-Airline Tenants:**

1. **Prospective** tenants that do not comply with CRP requirements and/or are determined non-responsible by LAWA will be disqualified and will not be awarded a lease agreement.
2. **Current** tenants that do not comply with CRP requirements and/or are determined non-responsible will be declared to have a material breach of the lease agreement. LAWA may exercise its legal remedies thereunder, which are to include, but not limited to the termination of the lease agreement.

Such tenant shall not perform any work or occupy any leasehold premises in the proposed lease, whether as a Master tenant, a subtenant, a partner in a partnership, a participant in a joint venture, a member of a consortium, or in any other capacity.

3. Upon final determination of a tenant as a non-responsible contractor, PSD shall provide the Requesting Division and the tenant with a written notice summarizing the findings and applicable sanctions.
4. PSD shall maintain a listing of tenants/subtenants who have been found non-responsible by LAWA pursuant to the CRP.

**K. EXEMPTIONS**

1. **Categorical Exemption:** The following types of lease agreements are categorically exempt from the CRP and these Rules and Regulations:
  - a. Lease agreements with a governmental entity such as the United States of America, the State of California, a county, city or public agency of such entities, or a public or quasi-public corporation located therein and declared by law to have such status.
  - b. Lease agreements wherein LAWA is the Lessee
  - c. LAWA permits, certificates, license agreements
  - d. Lease agreements for the purpose of re-setting the lease rates or other rates and charges for City facilities covered in lease agreements
  - e. Lease agreements wherein LAWA buys/sells/exchanges real estate or when LAWA conveys or receives easements rights(a real estate interest) in land
2. **Board approval required for CRP Exemptions:** The following types of lease agreements are exempt from the CRP and these Rules and Regulations when the Board of Airport Commissioners makes a finding that the lease agreement meets any of the following conditions:

- a. Lease agreements awarded on the basis of exigent circumstances whenever Board finds that LAWA would suffer a financial loss or LAWA operations would be adversely impacted.
- b. Lease agreements entered into during time of war or national, state or local emergency.

**L. EFFECTIVE DATE OF RULES AND REGULATIONS**

1. The CRP and these Rules and Regulations apply to Lease agreements **issued** after the City Attorney has approved these Rules and Regulations, the CRP Pledge of Compliance, and the CRP Questionnaire.
2. The CRP and these Rules and Regulations apply to lease agreements **entered into** by LAWA after the City Attorney has approved these Rules and Regulations, the CRP Pledge of Compliance, and the CRP Questionnaire.
3. Leases amended after these Rules and Regulations are approved by the City Attorney will become subject to CRP and these Rules and Regulations if they meet definitions contained in the CRP and these Rules and Regulations.

**M. CONSISTENCY WITH FEDERAL AND STATE LAW**

The CRP and these Rules and Regulations do not apply in instances where application would be prohibited by Federal and State law or where the application would violate or be inconsistent with the terms and conditions of a grant or contract with the Federal or State agency.

**N. SEVERABILITY**

If any provision of the CRP or these Rules and Regulations are declared legally invalid by any court of competent jurisdiction, the remaining provisions remain in full force and effect.

**LOS ANGELES WORLD AIRPORTS  
CONTRACTOR RESPONSIBILITY PROGRAM  
PLEDGE OF COMPLIANCE FOR LEASES**

The Los Angeles World Airports (LAWA) Contractor Responsibility Program (Board Resolution #21601) provides that, unless specifically exempted, LAWA Tenants for leases that require the Board of Airport Commissioners' approval shall comply with all applicable provisions of the LAWA Contractor Responsibility Program. Tenants for leases subject to the CRP are required to complete and submit this Pledge of Compliance with the lease agreement. In addition, within ten (10) days of execution of any sublease agreement, the Tenant shall submit to LAWA this Pledge of Compliance from each Subtenant listed as performing work on, or otherwise occupying, the leasehold premises.

The Tenant agrees to comply with the Contractor Responsibility Program and the following provisions:

- (a) To comply with all applicable Federal, State, and local laws that apply to the lease agreement, including but not limited to, laws regarding health and safety, labor and employment, wage and hours, and licensing laws which affect employees.
- (b) To notify LAWA within thirty (30) calendar days after receiving notification that any government agency has initiated an investigation that may result in a finding that the Tenant is not in compliance with paragraph (a).
- (c) To notify LAWA within thirty (30) calendar days of all findings by a government agency or court of competent jurisdiction that the Tenant has violated paragraph (a).
- (d) To ensure that Subtenants occupying space through any Sublease in connection with a LAWA lease agreement shall complete and sign a Pledge of Compliance attesting under penalty of perjury to compliance with paragraphs (a) through (c) herein. To submit to LAWA the completed Pledges.
- (e) To notify LAWA within thirty (30) days of becoming aware of an investigation, violation or finding of any applicable Federal, State, or local law involving any Subtenant(s) in the LAWA lease agreement.
- (f) To cooperate fully with LAWA during an investigation and to respond to request(s) for information within ten (10) working days from the date of the Notice to Respond.

Failure to sign and submit this form to LAWA as required may render the Tenant non-compliant with the terms of the lease and subject to CRP sanctions.

DFS Group L.P. 1580 Francisco St. Torrance, CA 90501 310-783-6749  
Company Name, Address and Phone Number

*Polly Nelson*  
Signature of Officer or Authorized Representative

7/16/12  
Date

Polly Nelson - Managing Director - North America  
Print Name and Title of Officer or Authorized Representative

Los Angeles International Airport-Duty Free Concession  
Project Title

**EXHIBIT P**  
**FIRST SOURCE HIRING PROGRAM**

## **FIRST SOURCE HIRING PROGRAM FOR AIRPORT EMPLOYEES**

- I. **Purpose.** The purpose of this First Source Hiring Program is to facilitate the employment of Targeted Applicants by Airport Employers. It is a goal of this First Source Hiring Program that this Program benefit Airport Employers by providing a pool of qualified job applicants through a non-exclusive referral system.
- II. **Definitions.** As used in this Program, the following capitalized terms shall have the following meanings. All definitions include both the singular and plural form.

“Airport” shall mean Los Angeles International Airport.

“Airport Employer” shall mean a party that, through a contract, lease, licensing arrangement, or other arrangement, agrees to comply with this First Source Hiring Program with regard to Airport Jobs. Operators of transportation charter party limousines, non-tenant shuttles, and taxis shall not be considered Airport Employers.

“Airport Job” shall mean a job that either (i) is performed On-Site, or (ii) is directly related to a contract, lease, licensing arrangement, or other arrangement under which the employer is an Airport Employer. Positions for which City's Worker Retention Policy requires hiring of particular individuals shall not constitute Airport Jobs for purposes of this Program.

“City” shall mean the City of Los Angeles.

“Coalition” shall mean the LAX Coalition for Economic, Environmental, and Educational Justice, an unincorporated association comprised exclusively of the following organizations: AGENDA; AME Minister's Alliance; Clergy and Laity United for Economic Justice; Coalition for Clean Air; Communities for a Better Environment; Community Coalition; Community Coalition for Change; Environmental Defense; Inglewood Coalition for Drug and Violence Prevention; Inglewood Democratic Club; Lennox Coordinating Council; Los Angeles Alliance for a New Economy; Los Angeles Council of Churches; Nation of Islam; Natural Resources Defense Council; Physicians for Social Responsibility Los Angeles; Service Employees International Union Local 347; and Teamsters Local 911.

“Coalition Representative” shall mean the following: The Coalition shall designate one individual as the “Coalition Representative” authorized to speak or act on behalf of the Coalition for all purposes under the Cooperation Agreement. The Coalition Representative may designate one or more assistants to assist the Coalition Representative in speaking or acting on behalf of the Coalition with respect to any specific program or activity or any other matter. The Coalition shall provide LAWA with contact information for the Coalition Representative upon request.

“Cooperation Agreement” shall mean the Cooperation Agreement between LAWA and

### **EXHIBIT P**

the LAX Coalition for Economic, Environmental and Educational Justice.

“LAWA” shall mean Los Angeles World Airports.

“Low-Income Individual” shall mean an individual whose household income is no greater than 80% of the median income, adjusted for household size, for the Primary Metropolitan Statistical Area.

“On-Site” shall mean physically located on property owned or leased by LAWA and pertaining to Airport.

“Program” shall mean this First Source Hiring Program.

“Project Impact Area” shall have the meaning set forth in the "Final Environmental Impact Report" for the LAX Master Plan Program, dated April 2004, as supplemented by one or more EIR Addenda prior to certification of the EIR by the City Council.

“Referral System” shall mean the referral system established to provide applicant referrals for the Program.

“Special Needs Individuals” shall mean: (i) individuals who receive or have received public assistance through the Temporary Assistance for Needy Families Program, within the past 24 months; (ii) individuals who are homeless; (iii) ex-offenders, (iv) chronically unemployed, and (v) dislocated airport workers.

“Targeted Applicants” shall have the meaning set forth in Section IV below.

III. Coverage. This Program shall apply to hiring by Airport Employers for all Airport Jobs, except for jobs for which the hiring procedures are governed by a collective bargaining contract that conflicts with this Program.

IV. Targeted Applicants. Referrals under the Program shall, to the extent permissible by law, be made in the order of priority set forth below.

- First Priority: Low-Income Individuals living in the Project Impact Area for at least one year and Special Needs Individuals; and
- Second Priority: Low-Income Individuals residing in City.

V. Initial Airport Employer Roles.

A. Liaison. Each Airport Employer shall designate a liaison for issues related to the Program. The liaison shall work with LAWA, the Coalition Representative, the Referral System provider, and relevant public officials to facilitate effective implementation of this Program.

B. Long-Range Planning. Any entity that becomes an Airport Employer at least two

## EXHIBIT P

(2) months prior to commencing operations related to Airport shall, at least two months prior to commencing operations related to Airport, provide to the Referral System the approximate number and type of Airport Jobs that it will fill and the basic qualifications necessary.

VI. Airport Employer Hiring Process.

- A. Notification of Job Opportunities. Prior to hiring for any Airport Job, an Airport Employer shall notify the Referral System, by e-mail or fax, of available job openings and provide a description of job responsibilities and qualifications, including expectations, salary, work schedule, duration of employment, required standard of appearance, and any special requirements (e.g., language skills, driver's license, etc.). Job qualifications shall be limited to skills directly related to performance of job duties.
- B. Referrals. After receiving a notification under Section VI.A above, the Referral System shall within five days, or longer time frame agreed to by the Referral System and Airport Employer, refer to the Airport Employer one or more Targeted Applicants who meet the Airport Employer's qualifications.
- C. Hiring.
1. New Employer Targeted Hiring Period. When making initial hires for the commencement of an Airport Employer's operations related to Airport, the Airport Employer shall consider and hire only Targeted Applicants for a two week period following provision of the notification described in Section VI.A. After this period, the Airport Employer shall make good-faith efforts to hire Targeted Applicants, but may consider and hire applicants referred or recruited through any source.
  2. Established Employer Targeted Hiring Period. When making hires after the commencement of operations related to Airport, an Airport Employer shall consider and hire only Targeted Applicants for a five-day period following provision of the notification described in Section VI.A. After this period, the Airport Employer shall make good-faith efforts to hire Targeted Applicants, but may consider and hire applicants referred or recruited through any source.
  3. Hiring Procedure During Targeted Hiring Periods. During the periods described in Sections VI.C.1 and VI.C.2 above, Airport Employers may hire Targeted Applicants recruited or referred through any source. During such periods Airport Employers shall use normal hiring practices, including interviews, to consider all applicants referred by the Referral System.
  4. No Referral Fees. No Airport Employer or referred job candidate shall be

**EXHIBIT P**

required to pay any fee, cost or expense of the Referral System or this Program in connection with referrals.

VII. Reporting and Recordkeeping.

- A. Reports. During the time that this Program is applicable to any Airport Employer, that Airport Employer shall, on a quarterly basis, notify the Referral System of the number, by job classification, of Targeted Applicants hired by the Airport Employer during that quarter, and the total number of employees hired by the Airport Employer for Airport Jobs during that quarter. Any Airport Employer who has not had hiring activity for the quarter, shall also notify the Referral System of such inactivity.
- B. Recordkeeping. During the time that this Program is applicable to any Airport Employer, that Airport Employer shall retain records sufficient for monitoring of compliance with this Program with regard to each Airport Job, including records of notifications sent to the Referral System, referrals from the Referral System, job applications received from any source, number of Targeted Applicants hired, and total number of employees hired for Airport Jobs. To the extent allowed by law, and upon reasonable notice, these records shall be made available to LAWA and to the Referral System for inspection upon request. The Coalition Representative may request that LAWA provide such records at anytime. Records may be redacted so that individuals are not identified by name and so that information required by law to remain confidential is excluded.
- C. Complaints. If LAWA, the Coalition, or the Referral System believes that an Airport Employer is not complying with this Program, then the designated LAWA office shall be notified to ensure compliance with this program.
- D. Liquidated Damages. Each Airport Employer agrees to pay to LAWA liquidated damages in the amount of One Thousand Dollars (\$1,000) where LAWA finds that the Airport Employer has violated this Program with regard to hiring for a particular Airport Job. LAWA shall establish procedures providing to Airport Employers notice and an opportunity to present all relevant evidence prior to LAWA's final determination regarding an alleged violation. This liquidated damages provision does not preclude LAWA from obtaining any other form of available relief to ensure compliance with this Program, including injunctive relief.

VIII. Miscellaneous.

- A. Compliance with State and Federal Law. This Program shall be implemented only to the extent that it is consistent with the laws of the State of California and the United States. If any provision of this Program is held by a court of law to be in conflict with state or federal law, the applicable law shall prevail over the terms of this Program, and the conflicting provisions of this Program shall not be

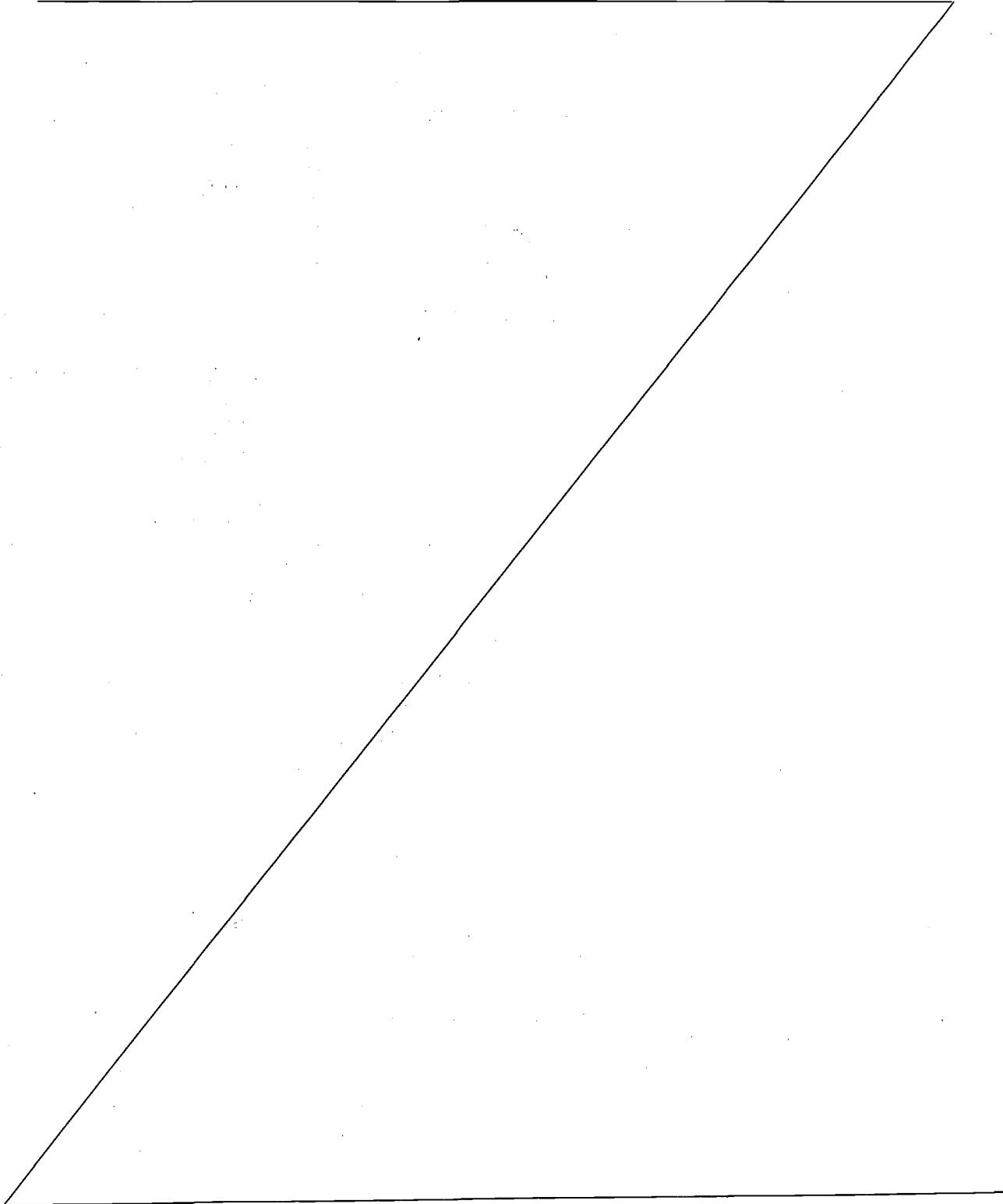
**EXHIBIT P**

enforceable.

- B. Severability Clause. If any term, provision, covenant or condition of this Program is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall continue in full force and effect.
- C. Binding on Successors. This Program shall be binding upon and inure to the benefit of the successors in interest, transferees, assigns, present and future partners, subsidiary corporations, affiliates, agents, representatives, heirs, and administrators of any party that has committed to comply with it. Any reference in this Program to a party shall be deemed to apply to any successor in interest, transferee, assign, present or future partner, subsidiary corporation, affiliate, agent, representative, heir or administrator of such party; provided, however, that any assignment, transfer or encumbrance of a lease agreement, permit or contract in which this Program is incorporated shall only be made in strict compliance with the terms of such lease agreement, permit or contract and the foregoing shall not constitute consent to any such assignment, transfer or encumbrance.
- D. Lease Agreements and Contracts. Airport Employers shall not execute any sublease agreement or other contract under which Airport Jobs may occur directly or indirectly, unless the entirety of this Program is included as a material term thereof, binding on all parties.
- E. Assurance Regarding Preexisting Contracts. Each Airport Employer warrants and represents that as of the date of execution of this Program, it has executed no sublease agreement or other contract that would violate any provision of this Program had it been executed after the date of incorporation of this Program into a binding contract.
- F. Intended Beneficiaries. LAWA, the Coalition, and the Referral System are intended third-party beneficiaries of contracts and other agreements that incorporate this Program with regard to the terms and provisions of this Program. However, the parties recognize that only LAWA has the sole responsibility to enforce the provisions of this Program.
- G. Material Terms. All provisions of this Program shall be material terms of any lease agreement or contract in which it is incorporated.
- H. Effective Date. Section VI of this Program shall become effective on the effective date of the contract or agreement into which it is incorporated.
- I. Construction. Any party incorporating this Program into a binding contract has had the opportunity to be advised by counsel with regard to this Program. Accordingly, this Program shall not be strictly construed against any party, and the rule of construction that any ambiguities be resolved against the drafting party shall not apply to this Program.

## EXHIBIT P

- J. Entire Contract. This Program contains the entire agreement between the parties on the subjects described herein, and supersedes any prior agreements, whether written or oral. This Program may not be altered, amended or modified except by an instrument in writing signed in writing by all parties to the contract in which it is incorporated.



**EXHIBIT Q**

**ALTERNATIVE FUEL VEHICLE PROGRAM REGULATIONS**

**ALTERNATIVE FUEL VEHICLE REQUIREMENT PROGRAM  
(LAX ONLY)**

**I. Definitions.**

The following capitalized terms shall have the following meanings. All definitions include both the singular and plural form.

“Airport Contract” shall mean a contract awarded by LAWA and pertaining to LAX, and subcontracts of any level under such a contract.

“Airport Contractor” shall mean (i) any entity awarded an Airport Contract, and subcontractors of any level working under an Airport Contract; (ii) any contractors that have entered into a contract with an Airport Lessee to perform work on property owned by LAWA and pertaining to LAX, and any subcontractors working in furtherance of such a contract; and (iii) any contractor that have entered into a contract with an Airport Licensee to perform work pertaining to LAX, and any subcontractors working under such a contract.

“Airport Lessee” shall mean any entity that leases or subleases any property owned by LAWA and pertaining to LAX.

“Airport Licensee” shall mean any entity issued a license or permit by LAWA for operations that pertain to LAX.

“Alternative-Fuel Vehicle” shall mean a vehicle that is not powered by petroleum-derived gasoline or diesel fuel. Alternative-Fuel Vehicles include, but are not limited to, vehicles powered by compressed or liquefied natural gas, liquefied petroleum gas, methanol, ethanol, electricity, fuel cells, or other advanced technologies. Vehicles that are powered with a fuel that includes petroleum-derived gasoline or diesel are Alternative-Fuel Vehicles only if the petroleum-derived energy content of the fuel is no more than twenty percent (20%) of the total energy content of the fuel. Vehicles powered by dual fuel technologies are Alternative-Fuel Vehicles only if no more than twenty-percent (20%) of the fuel used by the engine comes from a petroleum-derived fuel. Vehicles powered by fuels that are derived from sources other than petroleum, but that can be used in conventional spark or combustion-ignition engines, are Alternative-Fuel Vehicles.

“CARB” shall mean the California Air Resources Board.

“Comparable Emissions Vehicle” shall mean a vehicle powered by an engine certified by CARB operating on petroleum-derived gasoline or diesel fuel that has criteria pollutant emissions less than or equal to a comparable alternative fuel engine.

“Covered Vehicles” is defined in Section II below.

**EXHIBIT Q**

“EPA” shall mean the United States Environmental Protection Agency.

“Independent Third Party Monitor” shall mean a person or entity empowered by LAWA to monitor compliance with and/or implementation of particular requirements in this policy.

“LAWA” shall mean Los Angeles World Airports.

“LAX” shall mean Los Angeles International Airport.

“Least-Polluting Available Vehicle” shall mean a vehicle that (i) is determined by an Independent Third Party Monitor to be (x) commercially available, (y) suitable for performance of a particular task, and (z) certified by CARB or EPA to meet the applicable engines emission standard in effect at the time of purchase; and (ii) is equipped with a retrofit device that reduces NOx emissions by at least twenty-five percent (25%) and reduces particulate matter by at least eighty-five percent (85%). Where more than one vehicle meets these requirements for a particular task, LAWA, working with the Independent Third Party Monitor, will designate as the Least-Polluting Available Vehicle the vehicle that emits the least amount of criteria air pollutants.

“Operator” shall mean any Airport Contractor, Airport Lessee, or Airport Licensee.

**II. Covered Vehicles.** The requirements under this Attachment shall apply to all on-road vehicles, including trucks, shuttles, passenger vans, and buses that are 8,500 lbs gross vehicle weight rating or more and are used in operations related to LAX (“**Covered Vehicles**”).

**III. Conversion Schedule.**

- A. By January 31, 2010, fifty percent (50%) of the Covered Vehicles operated by an Operator shall be Alternative-Fuel Vehicles or Comparable Emissions Vehicles.
- B. By January 31, 2015, one hundred percent (100%) of the Covered Vehicles operated by an Operator shall be Alternative-Fuel Vehicles or Comparable Emissions Vehicles.

**IV. Least-Polluting Available Vehicles.** In cases where an Operator cannot comply with the requirements established pursuant to Section III above because neither Alternative-Fuel Vehicles nor Comparable Emissions Vehicles are commercially available for performance of particular tasks, LAWA will instead require Operators to use Least-Polluting Available Vehicles for such tasks. An Independent Third Party Monitor will determine on an annual basis whether Alternative-Fuel Vehicles or Comparable Emissions Vehicles are commercially available to perform particular tasks, and, in cases where Alternative-Fuel Vehicles are not commercially

EXHIBIT Q

available for performance of a particular task, will identify the Least- Polluting Available Vehicle for performance of that task.

V. **Written Reports.** Operator shall provide a semi-annual report to LAWA in the form attached as Attachment 1, which may be amended from time to time by LAWA.

## EXHIBIT Q

**LAX Alternative Fuel Vehicle Requirement Reporting Form**  
**Applies to on-road (licensed) vehicles 8,500 lbs or greater**

**Diesel & Gasoline Vehicle Fleet**  
**(List Alt-fuel vehicles on reverse side)**

Check box, if you do not have any on-road vehicles 8,500 lbs or greater

Company : <u>DFS Group L.P.</u>	Date: <u>May 29, 2012</u>
Completed by: <u>Bruce W. Tweitmann</u>	Title: <u>Director- Business Development</u>
Phone: <u>310-783-6797</u>	Email: <u>bruce.tweitmann@dfs.com</u>

Manufacturer (Make)	Model	Size (ft.)	Use (Shuttle, Limo, deliveries, etc.)	VIN #	Engine Manu- facturer	Engine Model #	Engine Year	Engine Horse power (HP)	Diesel or Gas? (D/G)	Is the vehicle retrofitted with a CARB certified particulate (PM) trap? (Yes/No)	Describe your plan and year to retrofit the vehicle with a PM trap or replace the vehicle-Attach a new sheet if necessary.
GMC	C7500	24	Deliveries	1GDJ7C1387F41347	GMC	DM7.8Litre	2007	200	D	N/A	N/A
Freightliner	2009VN	26	Deliveries	1FVACWDT99DAC8522	FRHT	DM8.6Litre	2010	215	D	N/A	N/A

**(Please turn over for alternative fuel vehicle reporting form)**



**LAX Alternative Fuel Vehicle Requirement Reporting Form**  
**Applies to on-road (licensed) vehicles 8,500 lbs or greater**

**Alternative Fuel Vehicle Fleet**  
**(List diesel & gas vehicles on reverse side)**

Check box, if you do not have any on-road vehicles 8,500 lbs or greater

Company : <u>DFS Group L.P.</u>				Date: <u>May 29, 2012</u>					
Completed by: <u>Bruce W. Tweitmann</u>				Title: <u>Director - Business Development</u>					
Phone: <u>310-783-6797</u>				Email: <u>bruce.tweitmann@dfs.com</u>					
Manufacturer (Make)	Model	Size (ft.)	Use (Shuttle, limo, deliveries, etc.)	VIN #	Engine Manufacturer	Engine Model #	Engine Year	Engine Horsepower (HP)	Type of Fuel (CNG, LNG, Electric, Propane, or Hydrogen)

**(Please turn over for diesel & gas vehicle reporting form)**

