

**LOS ANGELES INTERNATIONAL AIRPORT
BRANDED COFFEE FOOD & BEVERAGE
CONCESSION AGREEMENT**

By and between

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

and

AREAS USA LAX, LLC

Dated _____, 2015

**LOS ANGELES INTERNATIONAL AIRPORT BRANDED COFFEE FOOD &
BEVERAGE CONCESSION AGREEMENT**

THIS LOS ANGELES INTERNATIONAL AIRPORT BRANDED COFFEE FOOD & BEVERAGE CONCESSION AGREEMENT (this "**Agreement**"), is made and entered into as of [REDACTED], 2015, 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 **AREAS USA LAX, LLC**, a Florida limited liability company ("**Concessionaire**"), with reference to the following Basic Information and the following Recitals.

BASIC INFORMATION

Agreement Date:	_____, 2015
City:	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's Address:	Department of Airports 1 World Way Post Office Box 92216 Los Angeles, California 90009-2216 or such other address as may be designated in a written notice from Executive Director in accordance with <u>Section 16.5.1.</u>
	All notices sent to City under this Agreement shall be sent to the above address, with copies to: Office of City Attorney 1 World Way Post Office Box 92216 Los Angeles, California 90009-2216 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>
	All rent amounts and fees payable to City or LAWA hereunder shall be made payable to: City of Los Angeles, Department of Airports and shall be mailed to: City of Los Angeles – LAWA P.O. Box 54078 Los Angeles, CA 90054-0078 Re: LAX Concession Agreement No. LAA-8546 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>

Concessionaire:	Areas USA LAX, LLC					
Contact Person:	Eurado Uribe, Vice President of Business Development					
Address:	5301 Blue Lagoodn Drive, Suite 690 Miami, FL 33126					
Phone:	305-267-8510					
Facsimile:	305-675-8488					
E-mail:	eduard.uribe@areasmail.com					
Registered Agent:						
Address:						
Phone:						
Facsimile:						
E-mail:						
Airport:	Los Angeles International Airport					
Terminals:	4					
RFP:	Request for Proposal No. 20569 issued by City					
Concession Proposal:	Response to Request for Proposal dated as of September 30, 2014, submitted by Concessionaire					
Package:	N/A					
Premises:	The spaces comprised of the following Unit(s):					
	Unit No.	Terminal	Square Feet	Share	Latest Date for Delivery	Outside MCD
	N/A	4	1,000	N/A	N/A	N/A
	All as shown on Exhibit A-1, which may be amended from time to time pursuant hereto.					
Length of Term:	Approximately Eight (8) years.					
Expiration Date:	June 30, 2023					
Rent:	Unit	Category	Minimum Annual Guarantee		Minimum Monthly Guaranteed Rent	
	N/A	Branded Coffee	\$1,000		\$83	
					\$0	
		Total	\$1,000		\$83	
	Product Category					Percentage Rent
	Food and Beverage					
	Branded Coffee/Bakery/Sundries/Food/Non-alcohol Drinks					16.5%
	All Other					21.5%

Permitted Uses:	Unit	Category
	N/A	Branded Coffee
Minimum Investment Amount:	\$1,600,000	
Faithful Performance Guarantee:	Initially, \$312,000 [25% of MAG] as such amount may be adjusted in accordance with Section 13.3.1.	
Guarantor:	Areas USA, Inc. (If none, insert "None")	
Storage Space Addendum:	<input type="checkbox"/> Yes <input type="checkbox"/> No Note: To be determined after award and based on availability.	
Design/Construction Review Fee (DCRF):	\$18,350.00 payable in accordance with Section 4.2.	
Concepts:	Unit	Dunkin Donuts
ACDBE:	Goal	Participation (from Proposal)
	0%	0%

The initially-capitalized defined terms used in this Agreement which are defined in the foregoing Basic Information ("**Basic Information**") shall have the meaning and definition given them in the Basic Information. The Basic Information, the exhibits, the addendum or addenda described in the Basic Information, and this Agreement are and shall be construed as a single instrument and are referred to herein as the "**Agreement**."

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 desires to provide a wide range of food & beverage products and merchandise for the benefit of the air traveling public and other persons using the Airport and issued the Request for Proposal, as supplemented by addenda (the "**RFP**"), release date June 18, 2014, to solicit proposals for the operation and management of a Branded Coffee Food and Beverage Concession at the Airport; and

C. City received proposals in response to the RFP, including the Concessionaire proposal identified in the Basic Information (the "**Concessionaire Proposal**") and an award has been made to Concessionaire, all on the terms and subject to the conditions set forth in this Agreement; and

D. Concessionaire desires to provide facilities and services at the Airport of the type and character required by City, all in accordance with this Agreement; and

E. American Airlines, Inc. ("**American**") and the City entered into a Terminal Facilities Lease (LAA-4687) dated November 26, 1984 (the "**Original Lease**"), pursuant to which American leased certain areas at the Airport and the ground adjacent thereto (the "**Base Lease Premises**"); and

F. The City and American entered into the First Amendment to Lease No. LAA-4687 dated January 18, 2002 (LAA-4687A) (the "**First Amendment to the Original Lease**"), and together with the Original Lease, the "**Amended Lease**"), which amended the Original Lease; and

G. The City previously approved and authorized the financing of the improvements to the Base Lease Premises in the Amended Lease through the issuance of bonds by Regional Airports Improvement Corporation ("**RAIC**"); and

H. Pursuant to the Partial Assignment of Terminal Facilities Lease dated as of December 1, 1984, and amended on January 1, 2002, American assigned to RAIC certain rights under the Amended Lease for the purpose of financing the acquisition, construction and installation of certain improvements to the Base Lease Premises; and

I. American and RAIC entered into a Facilities Sublease and Agreement, dated as of December 1, 1984, and amended on January 1, 2002 (as amended or supplemented, the

"Facilities Sublease"), pursuant to which American subleased the Base Lease Premises and agreed to pay rent sufficient in time and amount to pay the principal of and interest on certain bonds; and

J. American and the City entered into a Sublease Agreement, **LAA-** in Terminal 4 on January __, 2015 (**"Sublease Agreement,"** and together with the Amended Lease and Facilities Sublease, collectively the **"Base Lease"**), whereby City subleased a portion of the Base Lease Premises from American (**"City's Subleased Space"**); and

K. A portion of the City's Subleased Space will be used for the Premises (defined below) under this Agreement.

L. The terms and conditions of the Base Lease are applicable to this Agreement in so far as the same are applicable to the Premises defined below, in which American, RAIC and City are landlords (collectively **"Landlords"**) to the respective Base Lease.

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 (the **"Term"**) shall commence on the Commencement Date (as defined in Section 1.2 below) and expire on June 30, 2023 (**"Expiration Date"**), unless extended or sooner terminated as herein provided.

1.2 Commencement Date. The **"Commencement Date"** shall be the earlier of (a) one hundred and twenty (120) days after the Delivery Date (hereinafter defined) of the Premises, or (b) the date Concessionaire commences business operations to the public at the Premises (**"Commencement Date"**). The **"Delivery Date"** for the Premises shall be the date specified by Executive Director or the person or group designated by Executive Director to take a specified action on behalf of Executive Director (**"Executive Director"**) in a written notice delivered to Concessionaire (a **"Delivery Notice"**) as the date that Concessionaire may take possession of such Premises pursuant to the terms of this Agreement.

1.3 Commencement of Preparatory Actions. Immediately following the date that this Agreement is approved by City, Concessionaire 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 Concessionaire'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 Concessionaire's business at the Premises in accordance with this Agreement.

1.4 Surrender. Concessionaire agrees that at 12:00 noon on the Expiration Date, or on the sooner termination of this Agreement, Concessionaire shall surrender the Premises to City (a) in good condition and repair (damage by acts of God, fire, and 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 Concessionaire or Concessionaire otherwise performing all of its obligations under this Agreement. On or before the expiration or sooner termination of this Agreement, (i) Concessionaire shall remove all of Concessionaire's personal property, all Telecommunications Facilities (hereinafter defined) installed in the Premises or elsewhere in the Airport by or on behalf of the Concessionaire (provided City may require such removal shall be performed by a contractor or telecom provider designated by City), and Concessionaire's signage from the Premises, and Concessionaire shall repair any damage caused by such removal, and (ii) City may, by notice to Concessionaire 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 Concessionaire at Concessionaire's expense to remove any or all Alterations and to repair any damage caused by such removal. Any of Concessionaire's personal property not so removed by Concessionaire as required herein shall be deemed abandoned and may be stored, removed, and disposed of by City at Concessionaire's expense, and Concessionaire waives all Claims against City for any damages resulting from City's retention and disposition of such property; *provided, however*, that Concessionaire shall remain liable to City for all costs incurred in storing and disposing of such abandoned property of Concessionaire. All improvements and Alterations except those which City requires Concessionaire to remove shall remain in the Premises as the property of City.

II PREMISES.

2.1 Premises. The premises which are the subject of this Agreement (the "Premises") are described in Exhibit A attached hereto, are located at the Airport described in the Basic Information at the Terminal.

2.1.1 Subject to Base Lease.

2.1.1.1 This Agreement is made subject and subordinate to all the terms and conditions of the Base Lease, and shall not be construed as granting any rights to Concessionaire beyond those granted to American or the City under the Base Lease or any such other agreements, including but not limited to any amendments. The documents comprising the Base Lease are attached hereto as Exhibit B-1 (Original Lease), Exhibit B-2 (First Amendment to Original Lease) and Exhibit B-3 (Sublease Agreement, LAA-[REDACTED]). Concessionaire covenants to observe and to comply with all of the terms and conditions of the Base Lease and to perform all the obligations under the Base Lease (excepting only the rental obligations) insofar as the same are applicable to the Premises, in addition to Concessionaire's obligations under this Agreement. Concessionaire shall not commit or permit to be committed any act or omission that violates any term or condition of the Base Lease or that would cause City to be in default under the Base Lease.

2.1.1.2 Termination of Sublease Agreement. This Agreement shall be terminated prior to the Expiration Date or earlier termination as provided in this Agreement if the Sublease Agreement is terminated, for any reason, and without any requirements that the City give a certain amount of time to Concessionaire before terminating this Agreement. Should the City receive a notice of termination or notice of default regarding the Sublease, it will notify Concessionaire of such notice, but the City will not be required to give such notice within a certain amount of time.

2.1.1.3 Termination of the Amended Lease. Should the Amended Lease terminate (for any reason) prior to the Expiration Date or earlier termination of this Agreement ("**Termination of the Amended Lease**"), then the following shall occur on the date of the Termination of the Amended Lease: (a) the Recitals pertaining to E through L above will no longer be applicable to the Agreement, and (b) Sections 2.1.1.1 and 2.1.1.2 will no longer be applicable to the Agreement.

2.2 Storage Space. Concessionaire must plan for the storage of its merchandise and will be responsible for securing storage/support on or off the Airport. Concessionaire shall not use more square footage of the Premises for the storage of equipment, inventory or supplies than the square footage of the Premises approved by the City as a part of the design and construction approval process. City may (but shall have no obligation to) make additional storage space available to Concessionaire at the Airport from time to time. In the event City makes such storage space available to Concessionaire and Concessionaire desires to lease such storage space, Executive Director and Concessionaire shall enter a Storage Space Addendum in the form of Exhibit C attached hereto, as such form may be modified from time to time by Executive Director, and Concessionaire shall pay to City with respect to such storage space an annual amount equal to the then current Terminals Buildings Rate adopted by the Board. The rent for the Storage Space shall be calculated for each calendar month in an amount equal to the Terminals Buildings Rate for the month multiplied by the square footage per year of the Storage Space. The rent for the Storage Space is subject to annual adjustment by the Board, and the Concessionaire shall pay such rent based on the then Board-approved rates.

2.3 Common Areas. Subject to compliance with City's Rules and Regulations and security requirements, Concessionaire 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 Concessionaire, change the size or location of the Common Areas, including, without limitation, by converting Common Areas to leaseable or other areas, or leaseable areas to Common Areas. City shall use reasonable efforts so as to not prevent access and/or substantially impair access to the Premises in connection with any such changes to the Common Areas. Executive Director may, in Executive Director's sole discretion, establish and enforce non-discriminatory Rules and Regulations (as defined in Section 3.10 below) 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. Notwithstanding the foregoing, in the event that access to the Premises is so restricted or materially impaired to the extent that it is required to be closed for two (2) or more complete and consecutive days, then the MMG allocated for any such Premises shall be equitably

abated for the period commencing on the 3rd day following the date that the Premises is forced to close and shall continue until the date access to the Premises is reopened so that concession operations may be recommenced. For purposes of this Agreement, the term "**Common Areas**" means all areas and facilities located within the Airport and outside of 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. Except for damage caused by Concessionaire, Concessionaire shall not be responsible for the maintenance or repair of any Common Areas located outside of the Premises.

2.4 Public Address System. City shall have the right, in its sole discretion, to install one (1) or more public address system speakers in the Premises for announcing flight arrivals and departures and other Airport information. Concessionaire shall not install any public address, paging, or other similar audio system in the Premises at any time. Any installation of a music system or television system in the Premises 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. Concessionaire shall not have any wireless internet system within the premises that can be accessed by any means by non-employees of Concessionaire.

2.5 Without the prior written consent of the Executive Director (in his or her sole discretion), Concessionaire shall not have any wireless internet system(s) within the Premises. Without the prior written consent of the Executive Director, in his or her sole discretion, Concessionaire 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 Concessionaire'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.

III CONCESSION RIGHTS AND OBLIGATIONS.

3.1 Permitted Uses; Rights Granted. The permitted uses of the Premises under this Agreement (the "**Permitted Uses**") include only the following: the right to sell to the public such food, beverage and branded merchandise in the Premises, as more particularly set forth in the Basic Information, and such other non-edible promotional items used to promote the sale of such food and beverage items. The Concessionaire is only authorized to conduct at the Airport, and only from the Premises, the Permitted Uses with respect to the Premises and no other business or uses. Except as expressly set forth in Section 5.10 or as directed by Executive Director in writing, the Permitted Uses do not permit Concessionaire to have access to the airside operations of the Airport. Concessionaire shall not engage in any activity on 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, Concessionaire shall not operate the Premises

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.

3.2 Right to Operate. City hereby grants to Concessionaire the right and obligation to occupy, equip, furnish, operate and maintain concessions in the Premises described in further detail in Exhibit A. The rights granted shall be carried on solely and exclusively within the limits and confines of said Premises; *subject, however*, to the expansion, reduction or relocation of the Premises, as specified in Article IX hereof and its sections.

3.3 General Obligation to Operate. Except for periods of closure specified in writing as a part of City's construction approval process in connection with construction of the improvements any approved Alterations (including the Mid-Term Refurbishment (hereinafter defined) as approved in writing by Executive Director in connection with the construction approval process, at the Premises indicated herein, Concessionaire shall provide food and beverage service to the air traveling public and other persons using the Airport, every day of the Term hereof, without exception. Concessionaire 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 Concessionaire under this Agreement. Concessionaire shall actively operate the Premises so as to best serve public needs.

3.4 Right to Promote Products; Restriction on Advertising. Concessionaire shall have the right, without the prior consent of the Executive Director, to promote Concessionaire's brand-name products on its packaging and available for sale within the Premises in accordance with Section 5.15 of this Agreement. Receipts for any revenue generated in connection with such promotion shall be subject to the "Percentage Fee" as described in Section 4.1.3 hereof. Concessionaire acknowledges that City has entered in an exclusive agreement with a third party with respect to commercial advertising within the Airport and the Terminals. Accordingly, except as permitted under this Section with respect to promotion of brand-name product packaging and signs within the Premises otherwise in compliance with this Agreement, Concessionaire acknowledges and agrees that Concessionaire has no rights (a) to advertise or promote its products outside of the Premises, (b) to advertise or promote the products of any third party, or (c) participate in any non-City sponsored marketing income program at the Airport. Concessionaire hereby agrees to indemnify, defend and hold City and City Agents (hereinafter defined) harmless from and against any 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**") City may suffer or incur as a result of Concessionaire's violation of this Section. Concessionaire hereby assigns to City and agrees to pay to City as Additional Rent hereunder any fees, compensation or other revenue received by Concessionaire, directly or indirectly, from any such advertising or product promotion in violation of this Section. For purposes of this Agreement, "**advertising**" shall mean fixed and dynamic advertising display signage, as well as marketing income programs (including, but not limited to, sponsorships, events, product rights, licensing, naming rights and branding) at locations outside the Premises and, except to the extent approved in advance in writing by Executive Director.

3.5 Quiet-Enjoyment. Subject to the rights reserved in favor of City under this Agreement, Concessionaire, 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.

3.6 As-Is Condition. Concessionaire acknowledges and agrees that the Premises is being delivered to and accepted by Concessionaire on the 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, Concessionaire 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.

3.7 Rights are Not Exclusive. Subject to the rights reserved to City under this Agreement, Concessionaire acknowledges and agrees that (a) subject to Concessionaire's compliance with the terms and conditions of this Agreement, the rights herein granted to Concessionaire shall be exclusive within the Premises covered by this Agreement, but non-exclusive at the Airport; (b) Concessionaire has no exclusive rights to conduct the business of the Permitted Uses in areas other than the Premises; (c) other than with respect to Storage Space pursuant to a Storage Space Addendum, if applicable, the rights granted to Concessionaire 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 areas in the existing Terminals or any new terminals developed by City in the future); and (d) City intends to enter into concession agreements with other food and beverage concessionaires and other retail and services concessionaires at the Airport, some of which will be located in the Terminal(s) covered by this Agreement. In addition, City expressly reserves the right to grant others the right to sell retail products and merchandise, personal services, and foods and beverages in the Terminal(s) covered by this Agreement, and such right has been, or may in the future be granted to others in separate agreements.

3.8 General Disputes. In the event of a dispute between Concessionaire and any other Airport tenant or concessionaire as to the services to be offered or products to be sold at the Premises, Concessionaire shall meet and confer with Executive Director and, Executive Director shall determine the services to be offered or products to be sold by each, and any decision by Executive Director shall be final and binding upon Concessionaire and such other Airport tenant or concessionaire.

3.9 No Other Uses. Concessionaire shall not use nor permit the Premises to be used for any purpose other than the Permitted Uses.

3.10 Rules and Regulations. Concessionaire shall comply with the 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 Terminals, the Common Areas and the Premises (collectively, the "**Rules and Regulations**"). City shall not be responsible to Concessionaire or

any other third party for the failure of any other person to observe and abide by any of said Rules and Regulations.

3.11 Pricing.

3.11.1 Concessionaire shall price its products in accordance with the Airport Pricing Policy. For the purposes of this Agreement, the "**Airport Pricing Policy**" shall mean establishing prices that are no more than eighteen percent (18%) higher than prices charged by Comparable businesses located off-Airport within a twenty-five (25) mile radius of the Airport (the "**Comparison Area**"), excluding sale or promotional prices. "**Comparable**" shall mean (a) if Concessionaire is a licensee or franchisee of a restaurant concept, then the pricing comparison shall be to the other licensees or franchisees with the same concept operated by the Concessionaire or other licensees or franchisees in the Comparison Area, or (b) if Concessionaire operates food and beverage concessions that are not operated under license or franchise agreements, the pricing on the Premises will be compared to restaurants with a similar style of service and menu located in shopping centers or commercial districts in the Comparison Area; provided, however, special gated venues (e.g., Dodger Stadium, theme parks, Staples Center) and special events shall not be deemed to be Comparable businesses or locations.

3.11.2 Concessionaire's initial proposed pricing and menus for the Premises (broken down by item and price range, in such detail as is reasonably satisfactory to the Executive Director), which have been approved by Executive Director, will be submitted to LAWA prior to the Commencement Date. No changes to these menus and prices may be made without the prior written consent of Executive Director. Any proposed changes to these menus and prices must be submitted to City in writing, along with supporting documentation to evidence prices from Comparable businesses or locations within the Comparison Area. Executive Director shall consider such request and supporting data, and may conduct City-initiated price comparisons of such Comparable businesses within the Comparison Areas as Executive Director considers necessary. For the purposes of this Section 3.11.2, the decision of Executive Director with respect to changes to Concessionaire's prices shall be final and binding on Concessionaire. 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 Concessionaire, and upon the delivery of an invoice from City, Concessionaire shall pay the same to City as Additional Rent, plus a fifteen percent (15%) for administrative overhead (but in no event less than \$100 per occurrence; as such amount may be adjusted by the Board from time to time, the "**Administrative Fee**"), within fifteen (15) days of receipt of City's invoice

3.11.3 Preprinted Prices. When an item is pre-priced, Concessionaire shall not charge a price higher than the preprinted price.

3.11.4 Survey Procedure.

1. Price Checks. Concessionaire shall conduct a price check annually. To accomplish this, Concessionaire shall conduct a price check each calendar quarter-year, at a

minimum, and all reports must be presented to City quarterly. Surveys of product items determined by Executive Director will be performed by Concessionaire on the Premises to ensure pricing is in accordance with this Agreement and the Airport Pricing Policy. Executive Director, at Executive Director's option, may develop, and Concessionaire will be given, the list of categories of product to be checked. Concessionaire may be requested at any time to produce a list of product sizes, brands and prices presently being sold on the Premises. Executive Director may review the list and select the items to be checked on a particular price check. Executive Director may choose to select all items for any particular price check. Executive Director, at Executive Director's option, may conduct such price checks as Executive Director considers necessary and to the extent any such price check disclose a violation of the requirements of this Agreement, the cost of such price check shall be borne by Concessionaire, and upon the delivery of an invoice from City, Concessionaire shall pay the same to City as Additional Rent, plus the Administrative Fee, within fifteen (15) days of receipt of City's invoice.

2. Spot Surveys. Additionally, Executive Director may request Concessionaire to conduct "spot" price checks or random surveys of the approved Comparable businesses or locations within the Comparison Area and the prices charged at the Airport periodically to ensure compliance with the Airport Pricing Policy. Executive Director, at Executive Director's option, may conduct such "spot" price checks or random surveys as Executive Director considers necessary and to the extent any such "spot" price checks or random surveys disclose a violation of the requirements of this Agreement, the cost of such "spot" price checks or random surveys shall be borne by Concessionaire, and upon the delivery of an invoice from City, Concessionaire shall pay the same to City as Additional Rent, plus the Administrative Fee, within fifteen (15) days of receipt of City's invoice.

3.12 Failure to Adhere to the Airport Pricing Policy. Concessionaire shall be given one (1) week to correct any price overage discrepancies raised by City with Concessionaire, or to submit written justification for retaining current prices for these items. In response to Concessionaire's written justifications, Executive Director will determine whether overages must be eliminated, and if so, Concessionaire must reduce prices within three (3) business days of the date of Executive Director's decision. City reserves the right to have concessionaires conduct and complete a price compliance survey on selected products or other inventories at Executive Director's sole discretion. This price compliance survey must be completed and submitted to City within two (2) weeks of receipt of City's written request. Executive Director will not unreasonably withhold Executive Director's consent to a request for a price increase and will respond to such requests within twenty-one (21) days of the date such request is submitted in writing by Concessionaire to Executive Director. If Executive Director does not respond within said twenty-one (21) day period, Concessionaire may implement the requested price increase, subject to City's right to require rolling-back the price to the previous price at any time.

IV PAYMENTS BY CONCESSIONAIRE.

4.1 Base Rent. Commencing on the Commencement Date, and thereafter each month throughout the Term of this Agreement, Concessionaire shall pay to City an annual base rent (the "**Base Rent**") in an amount equal to the greater of (a) the percentage fee (the "**Percentage Fee**") for the applicable Agreement Year calculated as provided in Section 4.1.3 below with respect to

the Premises, or (b) the minimum annual guaranteed rent (the “**MAG**”) for the applicable Agreement Year calculated as provided in Section 4.1.1 below. The Base Rent and all Additional Rent payable by Concessionaire 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 Concessionaire other than the Base Rent. The term “**Agreement Year**” shall mean each consecutive period of twelve (12) full calendar months following the Commencement Date; provided, however, if the Commencement Date is a date other than the first day of a calendar month, the first Agreement Year shall include that fractional portion of the calendar month in which the Commencement Date occurs (the “**Fractional First Month**”) and the first full twelve (12) calendar months thereafter; and provided, further, that the final Agreement Year may be less than a consecutive twelve calendar month period as the result of the expiration or earlier termination of the Term.

4.1.1 MAG. The MAG shall be an annual amount equal to the greater of (a) the Floor Element Amount (as defined below) for the applicable Agreement Year or (b) the Prior Year Element Amount (as defined below) for the applicable Agreement Year. The “**Floor Element Amount**” shall be the sum of One Thousand Dollars and zero Cents (\$1,000.00) per square foot per year (the “**Per Square Foot MAG**”), multiplied times the total number of square feet of space contained in the Premises (as such square footage is determined by the Executive Director); provided, however, that, in connection with the calculation of the Floor Element Amount, the Per Square Foot MAG shall be adjusted annually as set forth below. For the second (2nd) Agreement Year of the Term and for each Agreement Year of the Term thereafter (including any extension thereof) [said second (2nd) Agreement Year and each subsequent Agreement Year being referred to in this paragraph as an “**Adjustment Year**”], the Per Square Foot MAG shall be an amount equal to the Per Square Foot MAG in effect for the immediately prior Agreement Year increased by the percentage increase, if any, in the CPI (as defined below) for the Comparison Month (as defined below) for such Adjustment Year over the CPI for the Base Month (as defined below) for such Adjustment Year; provided, however, that in no event shall the Per Square Foot MAG for a given Adjustment Year be decreased as the result of such computation; and provided, further, that in no event shall the Per Square Foot MAG for a given Adjustment Year be increased by more than two percent (2%) of the Per Square Foot MAG in effect for the immediately prior Adjustment Year. 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). The term “**Comparison Month**” shall mean the month that is two (2) months prior to the first (1st) month of the applicable Adjustment Year. The term “**Base Month**” shall mean the month that is fourteen (14) months prior to the first (1st) month of the applicable Adjustment Year. The “**Prior Year Element Amount**” shall be an amount equal to eighty-five percent (85%) of the Base Rent for the immediately prior Agreement Year.

4.1.2 Minimum Monthly Guaranteed Rent. Concessionaire shall pay to City the MAG in monthly installments (herein, the “**Minimum Monthly Guaranteed Rent**” or “**MMG**”) as provided in Section 4.7.2.2 below.

4.1.3 Percentage Fee. The Percentage Fee shall be an annual amount equal to the aggregate total sum of the Gross Revenues (as defined in Section 4.1.4 below) for the applicable Agreement Year for each product category or other source (herein, “**Product Category**”) listed in the table below multiplied times the corresponding fixed percentage (each, a “**Percentage Multiplier**”) listed in the table below:

Product Category	Percentage Multiplier
Branded Coffee/Bakery/ Sundries/Food/Non-alcoholic Drinks	16.5%
All Other Gross Revenues Not Included Above	21.5%

The Percentage Fee shall be payable in monthly installments (subject to year-end reconciliation) as provided in Section 4.7.2.3 below.

4.1.4 Gross Revenues Defined. “**Gross Revenues**” shall include all revenues, whether by coin or currency, on account, by check, credit or debit card, collected or uncollected, whether conducted on or off Airport, derived by or on behalf of Concessionaire as a result of its operation of the concession rights herein granted, without any exclusion whatever, except those exclusions expressly permitted under Sections 4.1.4(1) through 4.1.4(9) below. “**Gross Revenues**” shall include (a) the sales prices received or billed by or on behalf of Concessionaire from the sale, dispensing and serving of food, food products and beverages (including alcoholic beverages), other retail non-food and beverage products, and other related services and products (“**Products and Services**”); (b) the full amount of any deposits, prepayments or credits forfeited by customers in connection with any business by 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 Concessionaire in, on, about or from the Premises, whether or not to be filled or performed at any other place, and the full amount of all orders accepted by or on behalf of Concessionaire elsewhere, but to be filled or performed in, on, about or from the Premises; (d) the retail price of all orders for Products and Services placed from the Premises from Concessionaire's catalog, internet or otherwise; (e) the full amount of any charge Concessionaire customarily makes for Products and Services even though Concessionaire fails to actually collect such a charge (except to the extent expressly excluded pursuant to Sections 4.1.4(1) through 4.1.4(9) below); and (f) any amounts paid or payable to Concessionaire in exchange for coupons or vouchers which are redeemed at the Premises. “**Gross Revenues**” shall also include any payments made to Concessionaire for advertising or promoting products and services from the Premises.

Goods, work or services furnished by any person or firm in lieu of payment in exchange for value received shall be deemed to be "**Gross Revenues.**" "**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 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 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 Concessionaire; receipts from the sale at cost of uniforms/clothing to 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 Concessionaire, where such exchanges or transfers are not made for the purpose of avoiding a sale by 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 Concessionaire, to the extent of any refund actually granted or adjustment actually made, either in the form of cash or credit;
5. Employee Discounts. The cost or value of Products and Services given to employees of Concessionaire pursuant to such employees' employment contracts; provided, however, the amount of such excluded employee discounts shall not exceed eighty percent (80%) of the retail price of such items;
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 Concessionaire; provided, however, Concessionaire shall take commercially reasonable efforts to assure that its compensation system does not incentivize its employees to serve, dispense, 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 Concessionaire's subtenants or subcontractor(s) for any taxes, loan payments or license fees paid by Concessionaire for or on behalf of such subtenants 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 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 4.1.4(1) through 4.1.4(9) above, if any charge customarily made by Concessionaire for Products and Services is not assessed, charged or collected, irrespective of the reason therefore, then the full amount of Concessionaire's customary charge therefore shall nevertheless be included in determining Gross Revenues. Concessionaire shall not show the percentage of Gross Revenues payable to City as a separate charge to Concessionaire's customers. For purposes of calculating Gross Revenues, the Gross Revenues of any Approved Transferee shall be attributed to Concessionaire. 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.

4.1.5 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 Terminals for purposes of construction of City-approved improvements. During such actions, Concessionaire shall not be entitled to any abatement or adjustment of Rent, fees or any other compensation.

4.2 Design/Construction Review Fee. In addition to all other fees and costs to be paid by Concessionaire in connection with the improvements, Concessionaire shall pay to LAWA, as compensation for LAWA's design review and construction coordination, a "**Design/Construction Review Fee**" of \$18.35 per square foot. Fifteen percent (15%) of the total amount of such Design/Construction Fee shall be paid at the time of submittal of any plans for improvements, pursuant to Section 7.1. The remaining eighty five percent (85%) of such Design/Construction Fee shall be payable in twelve (12) equal monthly installments, commencing on the Commencement Date hereunder.

4.3 Common Area Maintenance.

4.3.1 Common Area Maintenance Charges. In addition to the Monthly Base Rent payable to City hereunder, LAWA reserves the right, in its sole discretion, to impose "**Common Area Maintenance Expenses**" (as defined in Section 4.3.2) charges on concessionaires operating in Terminal 4. If so imposed, Executive Director shall amend the Basic Information. If so imposed, on and after the Commencement Date, Concessionaire shall pay to City with respect to the Premises as Additional Rent the applicable Share for Premises set forth in the Basic Information (as so amended) of all Common Area Maintenance Expenses based upon City's most recent estimate of the projected Common Area Maintenance Expenses, as adjusted in accordance with Section 4.3.3 below.

4.3.2 Common Area Maintenance Expenses. "Common Area Maintenance Expenses" shall mean all costs and expenses paid or incurred by City in connection with the ownership, operation, maintenance, management, repair and replacement of the Common Areas including, without limitation, all costs and expenses to operate, maintain, repair, replace, supervise, insure and administer such Common Areas, including but not limited to:

1. Cleaning of Common Area seating areas;
2. Pest control for the Common Areas;
3. Trash removal for the Common Areas; and
4. Supplies, materials, labor and equipment used in or related to the operation and maintenance of the Common Areas including the cost of maintenance, depreciation and replacement of machinery, tools and equipment (if owned by City) and for rental paid for such machinery, tools and equipment (if rented) used in connection with the operation or maintenance of the Common Areas;
5. Costs for management and administration of the Common Areas, including, without limitation, any management fee, accounting, auditing, billing, postage, salaries and benefits for all employees and contractors engaged in the management, operation, maintenance, repair and replacement of the Common Areas;
6. Supplies, materials, labor and equipment used in or related to the operation and maintenance of the HVAC system serving the Common Areas pursuant to Section 8.6 (including, City's administration and overhead).
7. To the extent City maintains the utilities in accordance with Section 8.7, supplies, materials, labor and equipment used in or related to the operation and maintenance of such utilities serving the Common Areas (including, City's administration and overhead).
8. Any other necessary and reasonable Common Area maintenance or repair item.

4.3.3 Estimates and Reconciliation of Common Area Maintenance Expenses. Within ninety (90) days of the end of each calendar year during the Term of this Agreement or as soon thereafter as practicable, City shall give to Concessionaire notice of City's estimate of the total amounts that will be payable by Concessionaire under Section 4.3.1 for the following calendar year, and Concessionaire shall pay such estimated Additional Rent on a monthly basis, in advance, on the first day of each month. Concessionaire shall continue to make said monthly payments until notified by City of a change therein. If at any time or times City determines that the amounts payable under Section 4.3.1 for the current calendar year will vary from City's estimate given to Concessionaire, City, by notice to Concessionaire, may revise the estimate for such calendar year, and subsequent payments by Concessionaire for such calendar year shall be based upon such revised estimate. By April 1 of each calendar year following the

Commencement Date, City shall endeavor to provide to Concessionaire a statement showing the actual Additional Rent due to City for the prior calendar year. If the total of the monthly payments of Additional Rent that Concessionaire has made for the prior calendar year is less than the actual Additional Rent chargeable to Concessionaire for such prior calendar year, then Concessionaire shall pay the difference in a lump sum within ten (10) days after receipt of such statement from City. Any overpayment by Concessionaire of Additional Rent for the prior calendar year shall, at City's option, be either credited towards the Additional Rent next due or returned to Concessionaire in a lump sum payment within ten (10) days after delivery of such statement. Even though the Term has expired and Concessionaire has vacated the Premises, with respect to the year in which this Agreement expires or terminates, Concessionaire shall remain liable for payment of any amount due to City in excess of the estimated Additional Rent previously paid by Concessionaire, and, conversely, City shall promptly return to Concessionaire any overpayment. Failure of City to submit statements as called for herein shall not be deemed a waiver of Concessionaire's obligation to pay Additional Rent as herein provided.

4.3.4 Share; Allocation to Concessionaire. With respect to Common Area Maintenance Expenses, which City allocates to the Common Areas, the "**Share**" allocated to the Premises shall be the percentage set forth in the Basic Information, as adjusted by City from time to time based upon changes in the operation of all Concessions. Notwithstanding the foregoing, City may adjust the Premises' Share for all or part of any item of expense or cost reimbursable by Concessionaire that relates to a repair, replacement, or service that benefits only the Premises or only a portion of the Terminal or that varies with the occupancy of the Terminal. Without limiting the generality of the foregoing, Concessionaire understands and agrees that City shall also have the right to adjust a the Premises' Share of any Common Area Maintenance Expenses based upon Concessionaire's burden or impact on such Common Areas as reasonably estimated and determined by City based upon factors such as size and Gross Revenues of the Premises and intensity of use of such Common Areas by Concessionaire's customers. Any adjustments by City under this Section 4.3.4 shall be undertaken in a reasonable and not unjustly discriminatory manner.

4.3.5 Gross Up. In the event the average occupancy level of Concessions for the Terminal in which the Premises is located for any calendar year is not ninety-five percent (95%) or more of full occupancy, then the Common Area Maintenance Expenses for such year shall be apportioned among the concessionaires by City to reflect those costs which would have occurred had the Concessions been ninety-five percent (95%) occupied during such year.

4.4 Utilities. Utilities with respect to the Premises, including electricity, gas and water, shall be separately metered at Concessionaire's expense, and shall be invoiced directly to Concessionaire. If Executive Director agrees that it is impossible to separately meter a given utility at the Premises, then Concessionaire 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 Concessionaire's share thereof. Executive Director's estimate may be based on the square footage of Concessionaire'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 Concessionaire for amounts due and Concessionaire shall pay the same within fifteen (15) days of receipt of City's invoice.

4.5 Refuse Removal. Concessionaire shall comply with the provisions of Section 5.10 with regard to the disposition of trash and garbage, waste reduction and recycling. City may designate garbage or refuse disposal areas at each Terminal for use by concessionaires. City reserves the right to charge, and in such event Concessionaire shall pay to City as Additional Rent a reasonable and not unjustly discriminatory pro-rata amount of the cost for removal of garbage and refuse from designated garbage or refuse disposal areas based upon Executive Director's good faith estimate of Concessionaire's share thereof. Executive Director's estimate may be based on Concessionaire's 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 reserves the right to invoice Concessionaire for amounts due and Concessionaire shall pay the same to City as Additional Rent within fifteen (15) 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 Concessionaire 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 Concessionaire 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 Concessionaire contrary to said conditions, covenants, and agreements, Concessionaire 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 – LAWA, P.O. Box 54078, Los Angeles, CA 90054-0078 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; Timing of Base Rent Payments. 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. Checks are to be made payable and mailed as set forth in the Basic Information, or to such other person or place as Executive Director may, from time to time, designate to Concessionaire in writing. Base Rent shall be payable to City as follows:

4.7.2.1 Payment of Base Rent. Concessionaire shall pay the Base Rent in monthly installments (the “**Monthly Base Rent**”) consisting of a monthly

payment of MAG (i.e., the “**Minimum Monthly Guaranteed Rent**” or “**MMG**”) and a monthly payment of the Percentage Fee (“**Monthly Percentage Fee Payment**”) calculated and payable as provided herein, subject to year-end reconciliation as provided herein.

4.7.2.2 Minimum Monthly Guaranteed Rent Payment. The Minimum Monthly Guaranteed Rent shall be an amount equal to one-twelfth (1/12) of the MAG for the given Agreement Year and shall be due and payable on the first (1st) day of each month during the Agreement Year. In the event that the Minimum Monthly Guaranteed Rent cannot be calculated as of the first (1st) day of the applicable Agreement Year as the result of the delayed publication of the CPI or the unavailability of the prior Agreement Year’s reconciled Base Rent information, the Minimum Monthly Guaranteed Rent shall be calculated based on the Minimum Monthly Guaranteed Rent for the immediately prior Agreement Year and shall be adjusted as soon as such information is available, and any increase in the Minimum Monthly Guaranteed Rent for the prior months shall be paid with the next installment of the Minimum Monthly Guaranteed Rent immediately following the calculation of such adjustment.

4.7.2.3 Monthly Percentage Fee Payment. The Monthly Percentage Fee Payment shall be an amount equal to the amount (if any) that the Percentage Fee calculated for the given month exceeds the Minimum Monthly Guaranteed Rent for the given month. The Monthly Percentage Fee Payment shall be due and payable (to the extent that it exceeds the Minimum Monthly Guaranteed Rent for the given month) in arrears not later than the twentieth (20th) day following the end of the month for which the Monthly Percentage Fee Payment relates. On or before the date that each Monthly Percentage Fee Payment is due, Concessionaire shall deliver the Gross Revenue and other information for such month as provided in Section 4.7.3 hereof.

4.7.2.4 Year-End Reconciliation. Within sixty (60) days after the last day of the applicable Agreement Year, Concessionaire shall calculate and report to City: (i) the Percentage Fee for such Agreement Year; (ii) the MAG for such Agreement Year; (iii) the Base Rent payable for such Agreement Year (i.e., the greater of the Percentage Fee or the MAG for such Agreement Year); (iv) the aggregate Monthly Base Rent paid for such Agreement Year (including the monthly detail regarding the Minimum Monthly Guaranteed Rent and the Monthly Percentage Fee Payments paid); and (v) the difference between the Base Rent payable for such Agreement Year and the aggregate Monthly Base Rent paid for such Agreement Year. In the event that the Base Rent payable for such Agreement Year is greater than the aggregate Monthly Base Rent paid for such Agreement Year, Concessionaire shall pay to City the difference within sixty (60) days after the last day of such Agreement Year. In the event that the Base Rent payable for such Agreement Year is less than the aggregate Monthly Base Rent paid for such Agreement Year, then Concessionaire shall be entitled to credit such overpayment toward the Minimum Monthly Guaranteed Rent payment(s) next due following final determination that such overpayment has occurred.

4.7.3 Monthly Gross Revenue Report. On the twentieth (20) day of each calendar month throughout the Term of this Agreement, Concessionaire shall submit a monthly accounting of the Gross Revenues received at the Premises operated by Concessionaire under this Agreement. Each monthly accounting shall be in such manner and detail and upon such forms as are prescribed from time to time by Executive Director. Forms to be used for reporting monthly Gross Revenues are attached as Exhibit E. Executive Director may, at Executive Director's sole discretion, amend the forms to be used during the Term of this Agreement. Each monthly report shall be due on the same date and at the same address as the payment of the Percentage Fee for that month is due. All reports under this section are to be submitted to concessionsreporting@lawa.org.

4.7.4 Annual Gross Revenue Report. On August Fifteenth of each year after the Commencement Date, Concessionaire shall submit an annual accounting of the Gross Revenues received at the Premises operated by Concessionaire under this Agreement. Each annual accounting shall be in such manner and detail and upon such forms as are prescribed by Executive Director. Forms to be used for reporting annual Gross Revenues are attached as Exhibit F. Executive Director may, at Executive Director's sole discretion, amend the forms to be used during the Term. Each annual report shall be due at the same address as the payments are made under this Agreement.

4.7.5 Other Annual Reports. Within ninety (90) days of the close of Concessionaire's taxable year, Concessionaire 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 Concessionaire's taxable year, covering all business transacted by Concessionaire 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. In addition, on or before September 1 of each Agreement Year, Concessionaire shall deliver a pro forma projection of estimated Gross Revenues for the next Agreement Year.

4.7.6 Pro Rata Payment. If the termination of this Agreement falls upon any date other than the first or last day of any calendar month, the applicable fees and charges for said month shall be in the same proportion that the number of days the Agreement is in effect for that month bears to the total number of days in that month.

4.7.7 Late Charge. Notwithstanding any other provision of this Agreement to the contrary, Concessionaire 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 Concessionaire are not received by Concessionaire within five (5) days after their due date, then Concessionaire shall pay to City a late charge equal to ten percent (10%) of such overdue amount, plus any costs and attorneys' fees incurred by City by reason of Concessionaire's failure to pay Rent or any other charges when due hereunder. City and Concessionaire hereby agree that such late charges represent a fair

and reasonable estimate of the cost that City will incur by reason of Concessionaire's late payment and shall not be construed as a penalty. City's acceptance of such late charges shall not constitute a waiver of Concessionaire's default with respect to such overdue amount or stop City from exercising any of the other rights and remedies granted under this Agreement.

4.7.8 Interest. Any installment of Rent and any other sum due from Concessionaire under this Agreement which is not received by City within three (3) 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 by Concessionaire. In addition, Concessionaire shall pay all costs and attorneys' fees incurred by City in collection of such amounts.

4.7.9 Prepayment. Notwithstanding anything to the contrary contained in this Agreement, in the event that Concessionaire is chronically delinquent in the payment of Rent when due hereunder, as defined under Section 11.1.13, City shall have the right to require Concessionaire to pay Monthly Base Rent, and all other amounts payable by Concessionaire to City in a calendar month under this Agreement one (1) month in advance of when such payment would otherwise be due. Such prepayment will be based on the highest monthly Rent previously due from Concessionaire under this Agreement. Such right shall be exercised by a written notice from City to Concessionaire, which notice may be given any time after such default by Concessionaire, regardless of whether the same is cured by Concessionaire. Nothing in this Section shall limit City's other rights and remedies under this Agreement.

4.8 Books and Records. Concessionaire shall establish a business office in the County of Los Angeles. Concessionaire shall maintain in said office or in Concessionaire's national corporate office in the United States, during the term of the Agreement, its permanent books, 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 reflecting both Gross Revenues received or billed by Concessionaire from the business transacted at Airport plus all other transactions of Concessionaire at the Airport. Such books, ledgers, journals, accounts and records shall be available for inspection and examination by Executive Director, or a duly authorized representative, during ordinary business hours.

4.8.1 Examination of Records. City's accountants or representatives may examine the books, ledgers, journals, accounts, and records of Concessionaire for the purpose of conducting an audit. Concessionaire shall produce these records for inspection and copying at the Premises or, at Executive Director's option, City's offices within twenty (20) days of Executive Director's request. In the event Concessionaire does not make available to City the pertinent books and records within the aforesaid twenty (20) days as set forth in this Section, Concessionaire agrees to pay for all travel costs, housing, and other related expenses associated with the audit of said books, reports,

accounts, and records by City at Concessionaire's place of records if said place of records is outside of Los Angeles County.

4.8.2 Deficiencies. 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 Concessionaire. If Concessionaire 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, Concessionaire 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 (the "**Deficiency**"), Concessionaire agrees to pay City for the cost of the audit and the Deficiency.

4.8.3 Confidentiality. 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 Concessionaire; provided, further, to the extent commercially reasonable under the then-existing circumstances, City shall use commercially reasonable efforts to give written notice to Concessionaire in advance of such disclosure to afford Concessionaire the opportunity to attempt to secure available protective measures to safeguard such information.

V OPERATING STANDARDS.

5.1 Operating Standards. This Article and its Sections cover Concessionaire's operational obligations.

5.2 Concession Personnel.

5.2.1 Generally. Concessionaire 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**." Concessionaire shall employ a Sufficient Number of properly trained Personnel to manage and operate the Premises at its maximum capacity and efficiency at all times that it is required to be opened for business in accordance with the Agreement. "**Sufficient number**" is a number, which consistently provides customers with no unreasonable delay or inconvenience in moving through point of sale or selecting Products and Services and assures a high standard of service to the public. Executive Director shall have the right to determine whether such unreasonable delay or inconvenience exists and Concessionaire shall immediately remedy the situation upon the request of the Executive Director. All such Personnel, while on or about the Premises, shall be clean, neat in appearance and courteous at all times and shall be appropriately attired, with badges or other suitable means of identification clearly visible. Concessionaire shall ensure that all Personnel conform to personal hygiene and food

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, shall use improper language, act in loud, boisterous or otherwise improper way or be permitted to solicit business in an inappropriate manner. Concessionaire 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.

5.2.2 English Language. Concessionaire understands and agrees that its operation at the Airport necessitates contact with the public, both in the course of normal business operations and in rendering public services such as making reasonable change, giving directions, and providing general assistance to the public. Personnel in positions that involve contact with the public must be capable of speaking and understanding the English language at a level consistent with the effective and efficient performance of the duties of the position.

5.2.3 Objections. City shall have the right to object to the demeanor, conduct, and appearance of any Personnel at the Premises, subject to applicable Laws. Concessionaire shall take all steps reasonably necessary to remedy the cause of any objection by City. After written notice from City, Concessionaire shall ensure the immediate removal from the Premises or discipline in accordance with Concessionaire's employee discipline policy for any Personnel who participates in improper or illegal acts on the Airport, who violates any of the Rules and Regulations or any provision of this Agreement, or whose continued presence at the Airport is, in the good faith business judgment of Executive Director, deemed not to be in the best interests of City.

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 Concessionaire and Concessionaire is and shall be engaged independently in the business of managing the Premises on its own behalf. All employment arrangements and labor agreements with Personnel are, therefore, solely and exclusively Concessionaire's rights, obligations and liabilities, and City shall have no obligations or liability with respect thereto. Concessionaire hereby agrees to indemnify, defend, and hold City, the Board, Executive Director and their respective Board members, officers, directors, employees, agents, advisors, attorneys, and representative (collectively, "**City Agents**") harmless from and against any Claims of whatever nature that arise in connection with any such employment arrangements or labor agreements.

5.3 Managing Director. Concessionaire shall select and appoint, subject to approval by Executive Director, a partner, general partner, corporate officer or other officer who shall serve as the "**Managing Director**" of Concessionaire's operations at Airport. Such person must be an active, highly qualified, competent and experienced manager or supervisor of comparable food & beverage operations, vested with full power and authority to represent, act on behalf of, and bind Concessionaire, and accept service on behalf of Concessionaire of all notices provided for herein and regarding operation of the concession business herein authorized, including the quality and prices of food and beverages and the appearance, conduct and demeanor of Concessionaire's Personnel. Said Managing Director shall be assigned to a duty station or office at or within two (2) miles of the Airport, where he or she shall ordinarily be available during

regular business hours and where, at all times during his or her other absences, such Managing Director shall assign a qualified, responsible subordinate who shall be in charge and available. Managing Director shall inform Executive Director in writing of the telephone and facsimile numbers and e-mail address and changes thereto of the local office. Managing Director shall provide to Executive Director and update as necessary, contact information for Managing Director and their appointed subordinates to allow City to contact them in emergencies or during non-business hours.

5.4 (INTENTIONALLY LEFT BLANK)

5.5 Hours of Operation.

5.5.1 Minimum Hours of Operation. Concessionaire shall be obligated to operate as follows: (i) if the Premises is located on the departure level of a Terminal, Minimum Hours of Operation shall be at least one hour before the first scheduled departure from such Terminal until the last departure of the day from such Terminal, without exception and (ii) if the Premises is located on the arrival level of a Terminal, Minimum Hours of Operation shall be from the first scheduled arrival at such Terminal to at least an hour after the last scheduled arrival at such Terminal, without exception. Except in connection with the expiration or earlier termination of this Agreement, Concessionaire may not vacate or abandon the Premises at any time.

5.5.2 Executive Director May Alter Hours. Executive Director may, on 24 hour written notice to Concessionaire, temporarily or permanently modify the Minimum Hours of Operation for the Premises. Concessionaire shall comply with modifications. Upon the written request of Concessionaire, Executive Director may, from time to time, authorize a later opening or earlier closing time for the Premises, provided Executive Director first finds that Concessionaire has submitted adequate justification therefore; provided, however, decreases in passenger traffic shall not be considered adequate justification.

5.6 Menu and Price Schedules. Concessionaire's initial menu shall be as Concessionaire has proposed for the Premises and as Executive Director has approved. Except as contemplated in accordance with the Airport Pricing Policy, during the Term, Concessionaire shall make no changes to the quantity, quality, or price of any item on the approved menu without first obtaining the prior written approval of Executive Director. Executive Director shall require the same information, and apply the same criteria to each proposed change as is described in this Section 5.6 and the following Sections.

5.6.1. Menu. Concessionaire shall employ attractive merchandising enticing customers to purchase food, beverages and ancillary retail products. Concessionaire shall develop and implement creative and effective merchandising means within the Premises, including without limitation, food and beverage displays; ancillary retail merchandise displays; display cases; promotional displays; attractive packaging; menu boards or table-top menus; and pictures of food, beverage and ancillary retail merchandise. Concessionaire's menus shall contain all information required by and shall otherwise comply with all applicable Laws.

5.6.2 Children's Menu. Where patrons may be seated to eat, the menu shall include at least one child's plate and price.

5.6.3 Publicly Displayed Menu. Prices for each item sold in the Premises shall be conspicuously displayed to the reasonable satisfaction of Executive Director as to information given, design, type, size, style, color, and all other specifics. Said prices for all Products and Services shall comply with the Airport Pricing Policy, unless otherwise approved in advance in writing by Executive Director. If, in addition to any publicly displayed menu, Concessionaire provides individual menus for customers, or places price markers on item displays, said prices on such individual menus shall not vary from such publicly displayed menus or publicly displayed prices.

5.6.4 Amendments. Executive Director may require any menu to be multilingual. Executive Director may re-evaluate the selection of items during the Term. Executive Director's good faith determination that the selection offered is inadequate, or that the quality or quantity of any item is deficient, shall be conclusive. Concessionaire may meet and confer with Executive Director regarding such matters.

5.7 Quality of Foods and Beverages. Concessionaire acknowledges and agrees that it is the intent of the parties to provide the air traveler and the public with facilities, service, and food & beverage concessions of first class quality, commensurate with the standards of other first class airports. All products offered for sale by Concessionaire shall (a) be of high quality, (b) be wholesome and pure (c) be comparable to food and beverages served by first class food and beverage facilities of a similar type in Los Angeles County, and (d) conform in all respects to applicable Laws; Concessionaire must adhere to the most stringent requirements in the foregoing.

5.8 Adequate Products and Service. Concessionaire shall ensure that the air traveler and public are furnished adequate supply of products and service, and that Concessionaire shall keep in stock and have ready for sale at the Premises at all times of operation a full stock of food & beverage products and other articles and goods for sale consistent with the Permitted Use for such Premises of first class character and quality and in sufficient supply to meet the demand of customers at the Airport. Concessionaire shall at all times maintain in stock at the Premises the merchandise it is required to stock and sell in accordance with its Permitted Use.

5.9 Cash and Record Handling Requirements; Change Making; Credit Cards.

5.9.1 POS Equipment and Systems. If the Executive Director and Concessionaire mutually agree, Concessionaire shall procure and install, at Concessionaire's sole cost and expense, real-time point-of-sale (POS) hardware and software with a secure internet/extranet (web-type) application interface meeting standards designated by Executive Director to provide accurate real-time daily sales revenue data via electronic means (collectively, "POS Equipment and Systems"). Within thirty (30) days of the Commencement Date, Concessionaire shall prepare a description of its proposed POS Equipment and Systems at the Premises and shall submit the same to Executive Director for approval. Such POS Equipment and Systems shall be non-resettable and shall have a counter or screen visible to the public. Such POS Equipment

and Systems shall populate data according to existing product category definitions as mutually agreed to by the Executive Director and Concessionaire. Once approved by Executive Director, such POS Equipment and Systems shall be utilized by Concessionaire in its operations at the Airport, and no revisions or modifications that materially change the operation of the equipment or the data stored shall be made to such POS Equipment and Systems without the prior written approval of Executive Director. Approval is not required for routine upgrade and patching of software or firmware; or replacement of failed equipment with newer models that retain all of the previously approved functionality. .

5.9.2 Change-Making; General Assistance. Concessionaire shall provide, without charge, change-making service to customers and to members of the public generally at each cashier's location in the Premises. Cashiers may wait until the next financial transaction before opening a cash drawer to make change. Upon requests for information, directions and general assistance from customers and members of the public generally, Concessionaire and its Personnel shall respond with reasonable diligence and courtesy.

5.9.3 Credit Cards, Foreign Currency. Concessionaire shall not be required to accept foreign currency. If Concessionaire elects to accept foreign currency, such may only be accepted for payment of goods and shall not be exchanged. In addition, all Concessionaires shall be required to accept, at a minimum, the credit and debit cards listed on Executive Director's then current list of Approved Form of Payment in payment for goods and services sold, and there shall be no minimum purchase requirement for transactions using such credit and debit cards. Executive Director's initial Approved Form of Payment List is attached hereto as Exhibit R and the same may be modified from time to time by written notice from the Executive Director.

5.10 Deliveries; Access and Coordination. To the extent airside access rights are granted to Concessionaire, Concessionaire 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 and trash removal from the Premises necessary to the operation of the Premises shall be conducted through designated Airside locations. Airside locations may be changed by Executive Director from time to time upon written notice to Concessionaire. Concessionaire acknowledges and agrees that all such deliveries shall be in conformance with the Rules and Regulations and security requirements in effect with respect to Airside operations at the Airport. Concessionaire shall make deliveries only within the times authorized by Executive Director. Concessionaire 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.

5.11 Removal of Garbage and Refuse. Concessionaire 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, Concessionaire 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.

5.11.1 LAWA Waste Reduction and Removal. Concessionaire 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, Concessionaire 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. Concessionaire shall prepare and submit to City a written description of such Recycling Program with respect to the Premises on before the date which is the three (3) month anniversary of the Commencement Date for the Premises. Concessionaire shall incorporate reasonable revisions to such Recycling Program required by City. If Concessionaire's corporate management has a written policy on waste reduction and sustainability, Concessionaire shall provide a copy of such policy to City at the notice address set forth in the Basic Information, Attention: LAWA Recycling Coordinator. Concessionaire 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 use of compostable utensils and dishware, 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 Concessionaire's compliance with its Recycling Program and other waste minimization practices. LAWA discourages the use of one time use packaging. Concessionaires are required to use sustainable eco-friendly or recycled content packaging unless an affordable alternative is not available.

5.11.2 Coordinated Delivery and Trash/Recycling Removal System. Concessionaire acknowledges that City intends to implement coordinated systems for Airside access deliveries and Trash/Recycling 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 Concessionaire 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 a separate agreements with such contractors; and (d) Concessionaire understands and acknowledges that, if implemented, participation with the coordinated systems may be mandatory. Concessionaire

acknowledges that such coordinated systems may not become effective until the commencement of the Term of this Agreement. Concessionaire shall be responsible for all deliveries until such time as Executive Director delivers written notice to Concessionaire that such systems are being implemented.

5.12 Franchise Agreement Standards. Where applicable, all franchise standards shall be met or exceeded. In the event of an express conflict between the terms of such franchise standards and the terms of this Agreement, the terms of the Agreement shall prevail. Concessionaire shall provide City with copies of its Franchise Agreement and the Premises' franchise standards and related performance audit forms prior to such the Commencement Date. Copies of inspections conducted by the franchisee, franchisor, or any mystery shopper service hired by the franchisee or franchisor shall be sent to City within ten (10) days of receipt by Concessionaire.

5.13 Quality Assurance Audits. Concessionaire shall perform quality assurance audits with respect to the operations at the Premises and compliance with the terms of this Agreement on at least a quarterly basis. Executive Director reserves the right to prescribe and revise audit criteria at any time and from time to time and to publish guidelines to be used in connection with such audits. The purpose of such audits shall be to ensure consistent high standards of customer service and quality among concessionaires at the Airport. In addition, Concessionaire hereby agrees to participate in and to comply with the requirements and recommendations of City-implemented 'mystery shopper' and other quality assurance programs. At Executive Director's request, but no more often than once per quarter, Concessionaire shall (a) meet with City, (b) make available for inspection all customer survey results, mystery shopper reports, health department reports, product pricing, and such quality assurance audits, (c) review the results of any City-implemented 'mystery shopper' and other quality assurance programs, and (d) review and develop a plan to implement recommendations for corrective action if such information shows corrective action is needed. If such information discloses any issue, in the sole discretion of Executive Director, then, upon Executive Director's written request, Concessionaire shall submit for Executive Director's approval an outline of planned corrective action and the implementation of any additional reports or procedures to document compliance and implementation of such planned corrective action. Once approved, Concessionaire shall implement such planned corrective action and deliver reasonably satisfactory evidence of such compliance to City in accordance with such corrective action plan.

5.14 Prohibited Acts. Concessionaire shall not do or permit to be done anything specified in Sections 5.14.1 through 5.14.9. Specifically, Concessionaire shall not:

5.14.1 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, Concessionaire 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.

5.14.2 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.

5.14.3 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.

5.14.4 Install Unauthorized Locks. Place any additional lock of any kind upon any window or interior or exterior door in the Premises, or make any change in any existing door or window lock or the mechanism thereof, unless a key therefore is maintained in the Premises, 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, whether said keys were furnished to or otherwise procured by Concessionaire, and in the event of the loss of any keys furnished by Executive Director, Concessionaire shall pay City, on demand, the cost for replacement thereof, and the cost of re-keying City's locks. Concessionaire shall install lock boxes in the Premises with copies of keys, as required by City and/or comply with LAWA emergency access requests.

5.14.5 Noise, Lights and Odors. No loudspeakers, televisions, video monitors, sound systems, audio players, radios, flashing lights or other devices shall be installed in the Premises or used in a manner so as to be heard or seen outside of such Premises without the prior written consent of Executive Director (including obtaining, and complying with, all applicable City construction approval conditions). No odors shall be emitted from the Premises so as to cause an unpleasant environment for passengers or employees. Executive Director may request that Concessionaire cease any action which, in Executive Director's sole opinion, is in violation of this section.

5.14.6 Increase Liability. Do any act or thing upon the Premises 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 Terminals 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 Concessionaire 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 Terminals in which the same are located, shall at any time be higher than it normally would be, then Concessionaire shall pay City, on 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 Concessionaire; provided, however, that nothing contained herein shall preclude Concessionaire from bringing, keeping or using on or about the Premises

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.

5.14.7 Permit an Auction. Allow any sale by auction in or upon the Premises.

5.14.8 Permit Lodging. Permit or use the Premises, or any part thereof, for lodging or sleeping purposes.

5.14.9 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.

5.15 Signs, Promotions & Displays.

5.15.1 Subject to the restrictions contained in Section 3.4, Concessionaire shall not erect, construct or place any sign, promotion or display in, on or upon any portion of the Premises or the Airport unless Concessionaire 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 and without first (a) complying with all applicable design guidelines of the City and the Department of Airports as revised from time to time (including, without limitation, the Design and Construction Handbook, collectively, the "**Design Guidelines**"), and (b) obtaining the prior written approval of Executive Director (including obtaining, and complying with, all applicable construction approvals and conditions). Notwithstanding the foregoing, Concessionaire may, without the prior consent of the Executive Director, place signs or displays within such Concessionaire's Premises that promote the products and/or services sold by Concessionaire on the Premises, provided that such sign or display is not readily visible from outside of such Premises; unless otherwise disapproved in writing by the Executive Director, which disapproval by the Executive Director may require the removal of such sign or display at any time as determined in the Executive Director's sole discretion. If such written disapproval is made by the Executive Director, Concessionaire shall remove the sign or display within one (1) day of the receipt of the written disapproval. Concessionaire shall not erect, construct or place any sign, promotion, advertisement or display outside the Premises. Executive Director's written approval and any conditions related to the subject signs shall become a part of the Agreement as though fully set forth herein once the document is fully executed by both parties.

5.15.2 Other than signs, promotions and displays approved pursuant to Section 5.15.1, Concessionaire 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.

5.15.3 Unless as otherwise set forth in Section 5.15.1, Concessionaire's Premises shall be free of all advertising, signs, credit card application dispensing units, posters, and banners, including, but not necessarily limited to, those showing Concessionaire's name, services, rates, rent-a-car arrangements, or other services. Noncompliance by Concessionaire with this provision shall result in City's right to

immediately remove said unauthorized signs, advertising, or other written materials and to store same at Concessionaire's expense. City may dispose of said signs, advertising, or other written materials if Concessionaire 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.

5.15.4 Removal of Signs. Upon the expiration or earlier termination of this Agreement, Concessionaire shall remove, obliterate or paint out, any and all of its signs, promotions and displays as Executive Director may direct. In addition, upon demand by Executive Director, Concessionaire 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 Concessionaire fails to do so, Executive Director may cause said work to be done at the sole cost and expense of Concessionaire, and Concessionaire shall pay the same to City, plus the Administrative Fee, as Additional Rent within fifteen (15) days of receipt of City's invoice.

5.16 Taxes. Concessionaire shall pay all taxes of whatever character that may be levied or charged upon the rights of Concessionaire to use the Premises, or upon Concessionaire's improvements, fixtures, equipment or other property thereon or upon Concessionaire's operations hereunder. In addition, by executing this Agreement and accenting the benefits thereof, a property interest may be created known as a "possessory interest" and such property interest will be subject to property taxation. Concessionaire, as the party in whom the possessory interest is vested, may be subject to the payment of the property taxes levied upon such interest.

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

5.18 Compliance with Laws.

5.18.1 Concessionaire shall, at Concessionaire's sole cost and expense, (and shall cause Concessionaire's employees, contractors, representatives, agents, and Approved Transferees (as defined in Section 14.3) (collectively, "**Concessionaire 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 Concessionaire's use of the Premises, the Terminal(s) 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 Concessionaire in any action or proceeding against Concessionaire, whether City be a party thereto or not, that Concessionaire has violated any Laws or Private Restrictions, shall be conclusive of that fact as between Concessionaire 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 Concessionaire, the Premises, the Permitted Uses 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, the City of Los Angeles Administrative Code, and all Hazardous Materials Laws (as defined in Section 15 below).

5.18.2 Concessionaire 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 any Concessionaire Party of any Laws or Private Restrictions, which payment shall be made by Concessionaire within fifteen (15) days from receipt of City's invoice for such amount and documentation showing that payment of such penalty or fine is Concessionaire's responsibility hereunder.

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

5.20 Non-Compliance. Concessionaire acknowledges that failure to comply with any of the preceding operating standards may result in default under Section 11.1.12, subject to applicable Notice to Cure periods.

VI AIRPORT CONCESSION 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”). Concessionaire 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. Concessionaire 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, Concessionaire shall make good faith efforts, within the meaning of the ACDBE Rules, to provide for a level of ACDBE participation in the concession operations by Concessionaires contemplated by this Agreement equal to or greater than zero (0%).

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

6.3 Monthly Report. In order to assure compliance with the Non-Discrimination Policy and the ACDBE Rules, Concessionaire 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 this Agreement. Concessionaire shall submit in the format required by the Executive Director and such other information as may be requested by the Executive Director to ensure compliance with the ACDBE Rules.

VII IMPROVEMENTS.

7.1 Design and Construction Obligations – In General. Concessionaire shall, at Concessionaire’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 Concessionaire pursuant to the terms of this Agreement. Concessionaire shall also provide, at Concessionaire’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. Concessionaire shall act as project manager for its sub-concessionaires’ design and construction programs, if any. Concessionaire shall coordinate its design and construction activities in a manner consistent with other design and construction activities occurring within the Terminals, including, without limitation, the design and construction activities of any Terminal Commercial Manager (herein, “TCM”), other concessionaires, or tenants within any such Terminal. Concessionaire 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 Terminal operations. In the event of a dispute between Concessionaire and any TCM, concessionaire or tenant regarding design or construction activities or related interference with operations, Concessionaire 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

Concessionaire. Such decision or other resolution shall be in the Executive Director's sole discretion.

7.2 Condition of Premises. City shall deliver the Premises to Concessionaire, except for furniture, furnishings, removable fixtures and supplies owned by the incumbent concessionaire. The improvements owned by City include interior walls, ceilings, floor covering, carpeting, draperies, finished flooring, electrical wiring, air-conditioning ducts and equipment, concession furniture, equipment and furnishings which cannot be removed without structural damage to the Premises, interior decoration and finishing erected or installed upon said Premises, and connections for electrical power and telephones. Upon the Delivery Date of the Premises, Concessionaire 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. Concessionaire acknowledges and agrees that Concessionaire 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. Concessionaire'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 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 such Premises shall not affect the rights or obligations of the parties hereunder.

7.3 Improvement Financial Obligation. Unless otherwise approved by the Executive Director, Concessionaire covenants and guarantees that Concessionaire shall make a collective capital investment in the improvement to the Premises contemplated by this Agreement in an amount not less than the amount set forth in the Basic Information as the "Minimum Investment Amount". The following types of expenditures by Concessionaire shall not be included or otherwise credited toward the satisfaction of the 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 Minimum Investment Amount shall be expended by Concessionaire on the improvements to the Premises as set forth in Concessionaire's response to the RFP attached hereto and incorporated by reference herein as Exhibit D. In the event that Concessionaire fails to invest the Minimum Investment Amount as provided above, Concessionaire shall pay to City the positive shortfall, as reasonably determined by the Executive Director, between the Minimum Investment Amount and the amount actually invested by Concessionaire in improvements (excluding any Excluded Expenditures). Concessionaire shall pay to City any such shortfall within thirty (30) days following written demand by the Executive Director.

7.4 City Approval of Improvements. Prior to the construction of any improvements, Concessionaire 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,

Concessionaire 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.

7.4.1 Concessionaire shall make no structural improvements, additions, or alterations in, to or upon the Premises, nor erect, construct, or place any sign upon said Premises, without first obtaining the written consent of Executive Director. Any conditions, restrictions, or limitations placed upon the approval by Executive Director shall be conditions of this Agreement as though fully set forth herein once the document is fully executed by both parties. Concessionaire shall indemnify, defend, protect and hold City and City Agents harmless from any and all Claims regarding any improvements, additions, or alterations made thereto.

7.4.2 For each and every construction or alteration project undertaken in the Premises, Concessionaire shall prepare a construction report. This report shall contain the following elements: (1) type of improvement constructed or altered; (2) floor area or capacity of improvement constructed or altered; (3) total cost of construction or alteration; (4) completion date for construction or alteration; and (5) a copy of the certificate of occupancy. The construction report shall be mailed to the Chief Airports Engineer at the address provided in Section 16.5 of this Agreement not later than sixty (60) days following completion of the construction or alteration.

7.4.3 Concessionaire shall also keep the Premises and any improvements constructed thereon free and clear of liens for labor and material expended by or for Concessionaire or on its behalf in accordance with Section 7.13 of this Agreement (except when such improvement is constructed by City).

7.4.4 Concessionaire 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.

7.4.5 Prior to the commencement of any work, Concessionaire 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, if applicable, and OSHA. Concessionaire's plans shall employ optimum essentials of aesthetics, quality of materials and equipment, convenience, function and design and shall be compatible in such respects with those of Airport or Airport's Design Guidelines. Executive Director's approval of the plans, specifications and working drawings for the 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 Concessionaire, any Concessionaire 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.

7.5 Improvements.

7.5.1 Utilities - Installation. Concessionaire shall provide distribution of utilities within the Premises. Heat and air conditioning will be made available at connection points adjacent to the Premises.

7.5.2 Plans and Specifications. Concessionaire shall, at its own cost and expense, employ competent architects, engineers and interior designers (approved by Executive Director) who will prepare architectural, interior and engineering designs for the improvements, including detailed plans, specifications, and cost estimates of all concession improvements, decor and equipment to be installed in the Premises.

7.5.3 Adherence to Plans and Specifications. Once approval for the improvements has been obtained from Executive Director as part of City's construction approval process, Concessionaire shall forthwith cause the construction of the improvements to be commenced and completed with reasonable dispatch. No substantial change, addition or alteration from the construction approved by Executive Director in the construction of the improvements without first obtaining Executive Director's consent in writing. No structural or other improvements, decor or equipment, other than as contemplated herein shall be made in or upon the Premises without the written consent of Executive Director being first had and obtained, and any conditions relating thereto then stated by said Executive Director shall become conditions hereof as if they had been originally stated herein.

7.6 Alterations. After completion of the improvements as above provided, except for routine maintenance and minor repairs of the improvements consistent with the Approved Construction Documents, Concessionaire shall not make any improvements or alterations to the Premises ("**Alterations**") without first complying with City's construction approval process. Any unauthorized Alterations made by Concessionaire to the Premises shall be removed at Concessionaire's sole cost and expense and any damage to such Premises shall be promptly repaired, and if not removed and repaired within fifteen (15) days of demand from City, and should Concessionaire fail to so remove such Alterations and restore the Premises, City may remove such Alterations and restore such Premises, at Concessionaire's sole cost and expense, and such cost, plus the Administrative Fee, shall be payable to City as Additional Rent within fifteen (15) days of delivery of an invoice therefore.

7.7 Building Codes. The improvements and all alterations constructed or installed by Concessionaire in the Premises, including the plans and specifications therefore, 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 Concessionaire's operations therein),

and City Policies (as defined in Section 16.23). If and to the extent that Concessionaire'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), Concessionaire 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 therefore shall at all times remain in Concessionaire.

7.8 Other Permits. Concessionaire, at its sole cost and expense, shall also procure all building, fire, safety and other permits necessary for the construction of the structural and other improvements, installation of the equipment and the interior design and decor.

7.9 Workers' Compensation. Prior to commencement of any such construction, Concessionaire shall first submit to City a certificate of insurance evidencing the fact that Concessionaire 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.

7.10 Improvement Payment and Performance Bonds. In connection with the construction of any improvements to the Premises, Concessionaire shall furnish, at its sole cost and expense, payment and performance bonds for private works, each in the principal sum (i.e., 100%) of the amount of the work of improvement proposed by Concessionaire, and subject to the approval of the City Attorney. To the extent this percentage is higher than, and conflicts with, the percentage for such bonds in the applicable construction approval process, the percentage in this Agreement will supersede. Concessionaire is to be the obligee under the bonds, not the City. Concessionaire shall comply with the provisions of California Civil Code Sections 8600 to 8614 or Sections 9550 to 9566, as applicable to any such bonds, by filing the original contract and any modifications thereto in the office of the Los Angeles County Recorder, together with the bonds specified therein, and a conformed copy of such bonds, filed for record as aforesaid, shall be furnished by Concessionaire to City. Such payment and/or performance bonds shall be furnished no later than thirty (30) days prior to the commencement of such work. The payment and/or performance bonds shall 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, and shall guarantee the full, faithful and satisfactory payment and performance by Concessionaire of its obligations to construct and install the aforementioned works of improvement, and shall guarantee the payment for all materials, provisions, supplies, and equipment used in, on, for, or about the performance of Concessionaire's works of improvement or labor done thereon of any kind. The Performance and Payment Bonds shall be in substantially the same forms as that of Exhibits G and H, respectively. Alternatively, Concessionaire shall provide a security deposit for said amount of the bonds acceptable to Executive Director.

7.11 Telecommunications Facilities.

7.11.1 Concessionaire and its Telecommunications Service Providers (as defined herein) shall not install Telecommunication Facilities (as defined herein) in Common Areas, shared space, or other respective non-leasehold areas of the Airport, or in currently designated or future primary or secondary minimum-points-of-entry, without prior written approval of Executive Director [LAWA Information Technology Division] and any approval required as part of City's construction approval process. 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, Concessionaire 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.

7.11.2 Concessionaire agrees that all installation, construction and maintenance of such Telecommunications Facilities shall be performed in a neat, responsible, and workmanlike manner, using generally acceptable construction standards, consistent with such requirements imposed by City as part of City's construction approval process (including, without limitation, labeling requirements); and that City may require its contractors or personnel to observe such installation or servicing to assure compliance with this Agreement. In such event, Concessionaire shall pay to City as Additional Rent hereunder, the cost or imputed cost of such observation and compliance monitoring. 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. Concessionaire is required to comply with City's policies and procedures regarding Telecommunications Facilities and services, as announced from time to time. Within one week of any installation or servicing of any Telecommunications Facilities, Concessionaire shall submit to City [with a copy to LAWA Information Technology Division] five (5) copies of "as-built" Telecom Documentation.

7.11.3 Concessionaire shall not allow the use of, and shall not sell, lease, sublet, or trade, Telecommunication Facilities or services to other Airport entities without prior written approval of Executive Director. Concessionaire shall not use, and shall not purchase, lease, sublet or trade for, Telecommunication Facilities or services from other Airport entities without prior written approval of Executive Director.

7.11.4 Concessionaire 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 Concessionaire written notice thereof and Concessionaire shall correct the same within twenty-four (24) hours of receipt of such notice. City reserves the right to disconnect Concessionaire's Telecommunications Facilities if Concessionaire fails to correct such interference within twenty-four (24) hours after such notice.

7.11.5 City makes no warranty or representation that the Airport or any portions thereof are suitable for the use of Telecommunications Facilities, it being assumed that Concessionaire has satisfied itself thereof.

7.11.6 Concessionaire 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 Concessionaire's installation, maintenance, replacement, use or removal of Concessionaire's Telecommunications Facilities.

7.11.7 Concessionaire shall remove any Telecommunications Facilities installed by Concessionaire at Concessionaire's sole cost and expense upon the expiration or early termination of this Agreement.

7.11.8 In the event Concessionaire shall fail to comply with any of the requirements contained in this Section 7.11, City may take such actions as may be necessary to remedy such failure and all costs and expenses incurred by City shall be due and payable within fifteen (15) days of City's request therefore. If Concessionaire does not remove the Telecommunications Facilities and repair any damage resulting therefrom on or before the end of such fifteen (15) day period, City shall have the right to remove such Telecommunications Facilities and repair any damage to the Terminal at Concessionaire's sole cost and expense, plus the Administrative Fee; provided, however, that if Concessionaire does not deliver to City the total cost and expense of removal and repair within fifteen (15) days of City's request thereof, Concessionaire shall be deemed to be in Default under Section 11 of this Agreement and City shall be entitled to exercise all of its rights and remedies set forth in this Agreement. All cost and expense incurred by City to remove the Telecommunications Facilities and to repair any damage to the Premises or the Terminal, plus the Administrative Fee, shall be deemed Additional Rent under this Agreement.

7.12 Deliveries upon Completion. Within ninety (90) days of completion of the improvements and any alterations contemplated by Section 7.6 above, Concessionaire 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 LWA CAD standards (these drawings must include any applicable permit numbers, the structural and other improvements installed by Concessionaire 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 such improvements, any mid-term refurbishment or any alterations, which releases shall comply with the appropriate provisions, as reasonably determined by City, of the California Civil Code. Concessionaire shall keep such as-built drawings current by updating the same in order to reflect thereon any changes or modifications which may be made in or to the Premises. Within ten (10) days after completion of the improvements in the Premises, any mid-term refurbishment and any alterations contemplated by Section 7.6 above, Concessionaire 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 Concessionaire fails to do so, City may execute and file the same on behalf of Concessionaire as Concessionaire's agent for such purpose, at Concessionaire's sole cost and expense.

7.12.1 Book Value Defined

Subject to the limitation and conditions set forth in Section 7.12 above, the term "Book Value" shall mean the following amounts described below in this Section 7.12.1:

(a) Improvements. An amount equal to the actual costs incurred by Concessionaire for the design and construction of the improvements, as verified and approved by the Executive Director.

(b) Concessionaire's Mid-Term Refurbishment. An amount equal to the actual costs incurred by Concessionaire for the design and construction of Concessionaire's Mid-Term Refurbishment, as verified and approved by the Executive Director.

(c) Other Alterations. For any other Alterations by Concessionaire approved by the Executive Director in his/her reasonable discretion, an amount equal to the actual costs incurred by Concessionaire for the design and construction thereof, as verified and approved by the Executive Director.

7.13 No Liens.

7.13.1 Concessionaire hereby agrees to keep the Premises, and the improvements thereon, free and clear of mechanics' liens and other liens for labor, services, equipment or materials. In the event such a lien is filed or recorded, Concessionaire shall take all action required to remove the same within fifteen (15) days of the filing or recordation. In the event that Concessionaire fails to take such action to remove the lien, then American or the City, at its option, may do so and all costs associated therewith plus an administrative fee equal to 15% of such costs shall be due to American or the City from Concessionaire upon demand.

7.13.2 Applicability Upon Termination of Amended Lease. This Section 7.13.2 will not be applicable to this Agreement unless and until the Amended Lease is terminated, for whatever reason. If and when the Amended Lease is terminated, for whatever reason, Section 7.13.1 will no longer be applicable to this Agreement. Concessionaire shall pay when due all claims for labor or materials furnished or alleged to have been furnished to or for Concessionaire

at, on, or for use in the Premises or any portion thereof. Concessionaire shall keep the Premises, the Terminal(s) 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 Concessionaire or any Concessionaire Party. Concessionaire 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 Concessionaire or any Concessionaire Party. Additionally, Concessionaire shall keep any City-owned improvements on the Premises free and clear of any liens or other encumbrances. By way of specification without limitation, Concessionaire shall keep the Premises free from any liens arising out of any work performed, materials furnished, or obligations incurred by or for Concessionaire and Concessionaire 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 Concessionaire or any Concessionaire Party and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against Concessionaire, City, the Airport, or the Premises. In the event that Concessionaire 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 ten (10) business days prior written notice to Concessionaire, 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 Concessionaire as Additional Rent within fifteen (15) days after written demand therefore. Concessionaire shall give City not less than ten (10) days' prior written notice of the commencement of the improvements or any subsequent improvements in the Premises, and City shall have the right to post notices of non-responsibility in or upon the Premises as provided by law. In addition, City shall have the right to require that Concessionaire 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 lie. Nothing in this Section shall be construed to place any obligations upon Lessee with respect to liens, loans, or mortgages placed upon the Demised Premises by City, its Department of Airports, its Board, City officers, agents, or employees.

7.14 Ownership of Improvements. Concessionaire shall have the rights to the ownership of the improvements, installed as part of this Agreement, subject to the conditions provided in this Section 7.14.

7.14.1 Installation Costs. All of the foregoing improvements, decor and equipment shall be furnished, supplied, installed and constructed by Concessionaire at Concessionaire's sole cost and expense.

7.14.2 Ownership During Term. Any Federal investment tax credit applicable to the improvements, or improvements installed as part of the Mid-Term Refurbishment shall belong to Concessionaire. Title to all furniture, furnishings,

removable fixtures and supplies shall remain in Concessionaire. Prior to the commencement of operations, and annually thereafter, Concessionaire shall furnish to City an inventory of all furniture, furnishings and removable fixtures it has placed in the Premises.

7.14.3 Ownership Upon Termination. If Concessionaire's occupancy of the Premises is terminated, City shall have rights to the ownership of the improvements and, if and only if the termination is pursuant to Section 9.1.1 herein, City shall reimburse Concessionaire for the undepreciated net Book Value of the improvements and the improvements constructed as part of the Mid-Term Refurbishment (which improvements cannot be removed without doing structural damage) based upon a 10-year straight-line depreciation, with no residual value, provided (a) Concessionaire has obtained all necessary approvals for their construction, (b) Concessionaire has reported each improvement, its costs, and the date upon which its depreciation began, (c) that architectural and design costs do not exceed fifteen percent (15%) of the cost of the improvements, (d) all said costs are properly supported and made available for audit, and (e) the deliveries required under Section 7.14 have been timely provided to City. All said costs must be direct costs paid by Concessionaire to independent contractors and suppliers for work actually performed on the Premises, materials furnished or professional services rendered. Costs associated with Concessionaire's employees shall not be included in the calculation of these costs. To become reimbursable Concessionaire shall at Concessionaire's expense provide City the deliveries required under Section 7.14 above. The straight line depreciation shall begin on the first day of the month in which the improvement was placed in service. Executive Director may require Concessionaire to remove any or all of its removable improvements. Title to all improvements for which Concessionaire is reimbursed or which have been depreciated shall thereupon vest in City.

7.14.4 Credit for Improvements. In lieu of any obligation to reimburse Concessionaire with respect to the undepreciated Net Book Value as set forth in Section 7.14.3 above, City, at the sole option of Executive Director, may elect to grant Concessionaire a credit against amounts payable to City hereunder equal to the then undepreciated portion of Concessionaire's fully-paid cost of any given improvement. City shall not have any right to purchase any equipment, personal property, trademark, proprietary item or identifying characteristic of Concessionaire without the written consent of Concessionaire. Concessionaire agrees to repair any damage to the Premises caused by the removal of any of the above said items by Concessionaire. Concessionaire shall not be entitled to depreciate the cost of said improvement, and title thereto shall vest in City upon Concessionaire's use of said credit.

VIII MAINTENANCE AND REPAIR.

8.1 Maintenance and Repair. Concessionaire 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 the improvements located therein and thereon. Concessionaire shall, at all times and at its expense, keep and maintain the Premises, including the exterior façade separating such Premises from the Common Areas of the Terminal (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 at the Premises together with all of its 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 exits and entrances of the Premises clean and orderly and free of obstructions. Concessionaire shall keep a record of all maintenance and repair actions undertaken with respect to the Premises 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 of repair, and any other information relating thereto that Executive Director may request from time to time (collectively, "**Concessionaire's Maintenance Records**"). Upon any request of Executive Director and annually, in connection with the delivery of annual reports under Section 4.7.5, Concessionaire shall deliver to City an annual maintenance report with a copy of Concessionaire's Maintenance Records for the year just ended.

8.2 Maintenance Program. Concessionaire shall maintain and repair all interior areas and surfaces of the Premises, including sweeping, washing, servicing, repairing, replacing, cleaning and interior painting that may be required to properly maintain the Premises in a safe, clean, wholesome, sanitary, orderly and attractive condition. Concessionaire shall establish an adequate preventive maintenance program and the provisions of same shall be subject to periodic review by Executive Director. Said program shall include, without limitation, the cleaning of inside windows and exterior display windows, doors inside and outside and the cleaning and repair of all floors, interior walls, ceilings, lighting, signs, decor and equipment. Regardless of Concessionaire's compliance with its preventive maintenance program, Concessionaire shall clean such surfaces and equipment immediately upon being instructed to do so by City or by other governmental agencies having such authority. In addition, Concessionaire shall participate in and cooperate with City in connection with any maintenance performance monitoring and quality assurance program implemented by City, and shall promptly correct any deficiencies noted in connection therewith. Concessionaire shall cooperate with any on-site inspections of applicable governmental agencies charges with inspection of the Premises and shall promptly deliver any inspection reports, notices or citations received from such agencies to City.

Section 8.2.1 Kitchen Exhaust Systems. To the extent specified in Concessionaire's plan for the improvements or in connection with any Alterations (or any approval by City in connection therewith), Concessionaire shall provide and maintain kitchen exhaust systems, including roofing hoods, ducts and fans used in connection with any kitchen operations, whether located in or outside of the Premises. Concessionaire shall prepare and deliver to City, and shall implement and maintain, a preventative maintenance and cleaning program so that such kitchen exhaust systems are maintained using best management practices in good condition so as to meet the highest standard of cleanliness and health. To the extent cleaning is performed by a third party contractor,

Concessionaire shall provide City with a copy of its cleaning contract for the exhaust system prior to opening for business and thereafter as requested by City. Concessionaire shall do whatever is necessary in order to properly maintain such kitchen exhaust system. The entire exhaust system should be inspected by a properly trained, qualified, and certified company or person quarterly. After inspection, if components are found to be contaminated with deposits from grease laden vapors, the entire exhaust system (hoods, grease removal devices, fans, ducts, and other included appurtenances) should be cleaned by a properly trained, qualified and certified company or person. The cleaning should be to bare metal using mechanical means (scraping, washing, steam cleaning, etc.) and not coated with chemicals or powder. A certificate of service should be provided by any contracted service.

8.3 Maintenance of Plumbing. Concessionaire shall be responsible for the maintenance, repair and replacement of all plumbing, piping and drains within the Premises. Concessionaire is responsible for all material that is deposited in the plumbing system from the Premises and, if applicable, for cleaning the grease traps within the Premises. Concessionaire is responsible for the maintenance, repair and replacement of all sewer lines from the Premises to the point that the line connects to a Department of Airports main sewer line. Concessionaire 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. If Concessionaire 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, Concessionaire will be billed for the cost thereof, plus the Administrative Fee, to be paid by Concessionaire to City within fifteen (15) days of written demand.

Section 8.3.1 Garbage Disposal; Grease Traps. To the extent specified in Concessionaire's plan for the improvements or in connection with any Alterations (or any approval by City in connection therewith) or as otherwise required by Applicable Laws, Concessionaire shall provide and maintain an industrial garbage disposal at the Premises. To the extent specified in Concessionaire's plan for the improvements or in connection with any Alterations (or any approval by City in connection therewith), Concessionaire shall install and maintain a grease trap at each the Premises, the type and manner of installation of such grease traps being in compliance with best management practices and meeting the requirements set forth in such approval. Concessionaire shall prepare and deliver to City a cleaning and preventative maintenance program, and shall retain and make available for City inspection receipts showing all oil/grease products purchased and all grease removed. To the extent that grease traps are present in the Premises, Concessionaire shall install and maintain, and regularly clean and empty, all grease traps in the Premises and dispose of the contents thereof in compliance with all applicable Laws, and, if required, Concessionaire will use its own EPA identification number and list itself as the owner on the Uniform Hazardous Waste Manifest or other Profile sheets if any need to be filled out in order for Concessionaire to comply with its obligations under this sentence. Upon the expiration or earlier termination of this Agreement, Executive Director shall have the right, at Executive Director's sole option, to require Concessionaire to remove any or all grease traps at Concessionaire's sole cost and expense, and in compliance with all Laws. Without limitation of any of the foregoing, Concessionaire shall do whatever is necessary in order to maintain properly the grease

interceptor and prevent, at all times, any overflow or discharge of grease at the surface of the grease interceptor manhole. The grease interceptor and all plumbing pipes shall be rooted and cleaned regularly and as often as necessary to prevent clogging or discharge. In the event of any such overflow or discharge, Concessionaire shall be responsible for all costs of cleanup of the overflow or discharge, including all costs of removing grease, and repair, restoration or replacement of property damaged by such overflow or discharge.

8.4 City May Repair. In the event Concessionaire fails to accomplish any such nonstructural 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 so to do, or fails to diligently repair, replace, rebuild, redecorate or paint all portions of the Premises required to be repaired, replaced, rebuilt, redecorated or painted by Concessionaire 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 included in said notice, and the cost thereof, plus the Administrative Fee, shall be paid by Concessionaire to City as Additional Rent within fifteen (15) days of written demand. Notwithstanding anything to the contrary contained in this Agreement, the performance of such maintenance, repair or replacement by City on Concessionaire's behalf shall in no event be construed as a waiver of Concessionaire's maintain, repair and replacement obligations under this Agreement.

8.5 Right to Enter Premises. City shall have the right to enter upon the Premises 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 new lines, pipes, mains, wires, conduits and equipment; *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 Concessionaire; and *provided, further*, that nothing herein shall be construed as relieving Concessionaire of any obligation imposed upon it herein to maintain the Premises and the improvements and utility facilities therein. City shall have the right to enter the Premises at any time to maintain or repair emergency systems when loss of life or damage to property may potentially result.

8.6 City Maintains Central Air Conditioning. City shall maintain that portion of the HVAC system that serves the Premises but that is located outside of the Premises if said system operates as part of a central terminal or building system maintained by City. Concessionaire shall reimburse City for its costs thereof, including overhead and administration in accordance with Section 4.3 above.

8.7 City May Maintain Utilities. City shall have the right, but not the obligation or responsibility, for the benefit of Concessionaire or for the benefit of others at Airport, to maintain existing and future utility systems or portions thereof on the Premises, including therein, without limitation thereto, 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 without appurtenant to all such systems. Concessionaire 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 Terminal, Concessionaire's pro-rata share shall be based on the ratio of the square footage of the Premises in the Terminal to the square footage of all Premises in the Terminal using said utilities, or on some other reasonable and appropriate methodology or basis.

8.8 Pest Control. Concessionaire shall be solely responsible for a pest-free environment within the Premises 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 control substances utilized shall be used with all precautions to obviate the possibility of accidents to humans, domestic animals and pets. Pests referenced above include, but are not limited to, cockroaches, ants, rodents, silverfish, earwigs, spiders, weevils and crickets. Whenever City deems that pest control services must be provided to a building or area that includes Concessionaire's Premises under this Agreement, Concessionaire shall pay for the costs of services provided for the Premises under this Agreement.

8.9 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 Concessionaire 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 Concessionaire 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 Concessionaire that the amount of such charge was necessary and reasonable.

IX REDUCTION, RELOCATION OR EXPANSION.

9.1 Reduction or Relocation of Premises. Executive Director may require Concessionaire to surrender or reconfigure any portion of the Premises or to relocate the Premises any time. Executive Director will attempt to provide substitute space of equal size, with equal frontage in an area accessible to the public. Concessionaire may decline substitute space if it is not of equal size, configuration and exposure to enplaning passenger. In the event Concessionaire declines substitute space, minor modification(s) of the Premises, not to exceed a cumulative rental adjustment of \$150,000, may be made by the Executive Director by an amendment to Exhibits A and A-1, subject to City Attorney approval as to form, with an appropriate adjustment in the MAG without the prior approval or later ratification by the Board or the City Council, and (ii) minor modification(s) of the Premises, not to exceed a cumulative total of ten percent (10%) of the Premises as delineated in Exhibits A and A-1, may be made by the Board by an amendment to these Exhibits, subject to City Attorney approval as to form, with an appropriate adjustment in the MAG without the prior approval or later ratification by the City Council. If, modification(s) of the Premises exceed a cumulative total of ten percent (10%) of the Premises as delineated in Exhibits A and A-1, such modification shall be subject to approval by the Board and City Council. Improvements made by Concessionaire to the Premises as a result of a reduction or relocation shall be subject to the buy-out provisions of this Agreement, the same as if they were made within the original Premises hereof. Any costs incurred by

Concessionaire in connection with a relocation under this Section shall be borne by Concessionaire.

9.1.1 Buy-out. In the event that (a) Concessionaire is required to surrender in whole or relocate the Premises (prior to the expiration of the Term of this Agreement, other than as required under Section XI, or as a result of a Default by Concessionaire), or (b) City, for any reason, decides to terminate or suspend the scope of work, or any part thereof, or Concessionaire's services, or any part thereof prior to the expiration of the Term of Agreement (in which event City may: (1) require Concessionaire to terminate or suspend the performance of all, or a portion, of its services or (2) terminate this Agreement, or any part thereof, upon giving Concessionaire a ten (10) day written notice prior to the effective date of such termination which date shall be specified in such notice), then City will reimburse Concessionaire for the then-undepreciated net Book Value of the improvements or improvements installed as part of the Mid-Term Refurbishment (which improvements which cannot be removed without doing structural damage) with respect to such surrendered Premises based upon a 10-year straight-line depreciation, with no residual value, provided (i) Concessionaire has obtained all necessary approvals for their construction, (ii) Concessionaire has reported each improvement, its costs, and the date upon which its depreciation began, (iii) that architectural and design costs do not exceed ten percent (10%) of the cost of the improvements, (iv) all said costs are properly supported and made available for audit, and (v) the deliveries required under Section 7.14 have been timely provided to City. All said costs must be direct costs paid by Concessionaire to independent contractors, and suppliers for work actually performed on said Premises, materials furnished or professional services rendered. Costs associated with Concessionaire's employees shall not be included in the calculation of these costs. To become reimbursable Concessionaire shall have, at its expense, timely provided City with the deliveries required under Section 7.14. The straight line depreciation shall begin on the first day of the month in which the improvement was placed in service. The report shall be delivered to Executive Director. Executive Director may require Concessionaire to remove any or all of its removable improvements. No buy-out payment will be made or is payable hereunder in connection with the expiration of this Agreement at the end of the Term.

9.2 Expansion of Premises. If, during the Term of this Agreement, the City finds that arrangements that warrant additional food & beverage facilities are required for the good of the traveling public, the City, upon approval of the Board (and City Council, if such addition also requires such approval), may negotiate for the operation of said facilities. Only concessionaires with existing food & beverage operations in the terminal where the planned facility will be located will be invited to participate in the competitive solicitation process. Following the competitive solicitation process, LAWA will select a concessionaire deemed most qualified to operate the planned concept. If Concessionaire is selected and City and Concessionaire have not entered into an agreement within one month of City's notice that such potential unit location is available, City may offer said concession rights to other concessionaires. Improvements made by Concessionaire as a result of said expansion shall be subject to the buy-out provisions of section 9.1.1, the same as if they were made within an original premises hereof. Net Book Value protection will extend to the undepreciated value of any additional new facilities required.

Requirements for approval and reporting will be the same as for initial facilities and the depreciation schedule shall be the same provided that such facilities are not temporary.

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 Concessionaire, and without interference or hindrance. Concessionaire 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. Concessionaire 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. Concessionaire 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 keep Concessionaire informed of construction plans that may materially and adversely impact the operations at the Premises.

10.2 No Right to a Temporary Premises. Temporary disruptions to Concessionaire's operations, including restricted access to Terminals during any construction or security alert, shall not entitle Concessionaire 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 Concessionaire ("**Default**");

11.1.1 Abandonment; Vacation. The vacation or abandonment of the Premises by Concessionaire for a period of five (5) consecutive days or any vacation or abandonment of the Premises by Concessionaire which would cause any insurance policy to be invalidated or otherwise lapse in each of the foregoing cases irrespective of whether or not Concessionaire is then in monetary default under this Agreement. Concessionaire 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 Concessionaire 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 three (3) days after the same is due;

11.1.3 Assignment for Creditors. A general assignment by Concessionaire or any guarantor or surety of Concessionaire'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 Concessionaire or any Guarantor, the filing by Concessionaire or any

Guarantor of a voluntary petition for an arrangement, the filing by or against Concessionaire or any Guarantor of a petition, voluntary or involuntary, for reorganization, or the filing of an involuntary petition by the creditors of Concessionaire or any Guarantor, said involuntary petition remaining undischarged for a period of thirty (30) days;

11.1.5 Attachment. Receivership, attachment, or other judicial seizure of substantially all of Concessionaire's assets at the Premises, such attachment or other seizure remaining undismissed or undischarged for a period of thirty (30) days after the levy thereof;

11.1.6 Death; Dissolution. Death or disability of Concessionaire or any Guarantor, if Concessionaire or such Guarantor is a natural person, or the failure by Concessionaire or any Guarantor to maintain its legal existence, if Concessionaire 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 Concessionaire 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 three (3) days after receipt of written notice from City of delinquency);

11.1.8 Incomplete Records. Concessionaire 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 improvements or the Mid-Term Refurbishment);

11.1.9 Transfers. An assignment or sublease, or attempted assignment or sublease, of this Agreement or the Premises by Concessionaire 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 Concessionaire 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 Concessionaire'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 or 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 Concessionaire, provided that, if Concessionaire has commenced such cure within ten (10) 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, Concessionaire shall not be in default under this Section 11.1.12 so long as Concessionaire thereafter diligently and continuously prosecutes the cure without interruption to completion and actually completes such cure within sixty (60) days after the giving of the aforesaid written notice;

11.1.13 Chronic Delinquency. Chronic delinquency by Concessionaire in the payment of Rent, or any other periodic payments required to be paid by Concessionaire under this Agreement. "**Chronic delinquency**" shall mean failure by Concessionaire to pay Rent, or any other payments required to be paid by Concessionaire under this Agreement within five (5) days after the date due for any consecutive or nonconsecutive three (3) months during any period of twelve (12) months, or failure by Concessionaire to perform its obligations under this Agreement for any three (3) consecutive or nonconsecutive incidents during any period of twelve (12) months as determined in the sole discretion of the Executive Director;

11.1.14 Termination of Insurance. Any insurance required to be maintained by Concessionaire 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 Concessionaire 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 Executive Director, materially and adversely affects the operation of service required to be performed by Concessionaire under this Agreement;

11.1.18 Hazardous Materials. Any failure by Concessionaire 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 Concessionaire to comply with Concessionaire's obligations under Section 15; and

11.1.19 False Representations. Any representation of Concessionaire herein, in the Concessionaire Proposal or in any financial statement or other materials provided by Concessionaire or any guarantor of Concessionaire'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.

Concessionaire 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 Concessionaire, 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 Concessionaire hereunder by giving written notice to Concessionaire of such intention to terminate. If City shall elect to so terminate this Agreement, then City may recover from Concessionaire:

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 Concessionaire 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 Concessionaire proves could be reasonably avoided; plus
4. any other amount necessary to compensate City for all the detriment proximately caused by Concessionaire'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 Terminal 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 tenants; (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 Concessionaire 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%).

Concessionaire hereby waives for Concessionaire and for all those claiming under Concessionaire all right now or hereafter existing to redeem by order or judgment of any court or by any legal process or writ, Concessionaire's right of occupancy of the Premises after any termination of this Agreement, specifically, Concessionaire 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 Concessionaire is evicted or City takes possession of the Premises by reason of any Default of Concessionaire hereunder.

11.2.2 Continuation of Agreement. In the event of any Default by Concessionaire, 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 Concessionaire's right to possession of the Premises:

9. 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 Concessionaire has abandoned the Premises, this Agreement shall continue in effect for so long as City does not terminate Concessionaire'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 therefore from time to time and Concessionaire 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 Concessionaire, 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 Concessionaire.

11.2.4 Reletting. In the event of the abandonment of the Premises by Concessionaire or in the event that City shall elect to re-enter as provided in Section 11.2.3 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 Concessionaire 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 Concessionaire 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 Concessionaire hereunder, then Concessionaire shall pay such deficiency to City. Such deficiency shall be calculated and paid monthly. Concessionaire 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 Concessionaire 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 Concessionaire, 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 Concessionaire prior to the expiration of the Term, and such acceptance by City of surrender by Concessionaire 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 Concessionaire, 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 subleases, or City may, at its option, elect in writing to treat such surrender as a merger terminating Concessionaire's estate under this Agreement, and thereupon City may terminate any or all such subleases by notifying the sublessee of its election so to do within five (5) days after such surrender.

11.2.8 City's Lien. In addition to any statutory lien City has, Concessionaire hereby grants to City a continuing security interest for all sums of money becoming due hereunder upon personal property of Concessionaire 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 five (5) days' notice to Concessionaire. This contractual lien will be in addition to any statutory lien for rent.

11.2.9 Concessionaire's Waiver of Redemption. Concessionaire 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 Concessionaire is evicted or City takes possession of the Premises by reason of any Default of Concessionaire hereunder.

11.3 Right to Remove Equipment. Subject to the provisions of Article VII and its subsections herein and Section 11.2.8, Concessionaire shall have the right to remove its equipment, supplies, furnishings, inventories, removable fixtures and other trade fixtures and personal property from the Premises. If Concessionaire 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 and until the same has been reduced to writing and signed by Executive Director and the duly authorized representatives of Concessionaire. 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 Concessionaire 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 Concessionaire 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 Concessionaire, 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 Concessionaire in the performance of any of the terms, covenants or conditions hereof to be performed, kept or observed by Concessionaire 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, and no notice by City shall be required to restore or revive time as of the essence hereof after waiver by City of default in one or more instances.

11.8 Waiver of Redemption and Damages. Concessionaire 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. Concessionaire 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 Concessionaire in forcible entry and detainer under the Laws of the State of California, the total amount of damages to which Concessionaire shall be entitled in any such action shall be the sum of One (\$1) Dollar, and Concessionaire 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 Concessionaire'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 Concessionaire hereunder shall survive and shall remain in full force and effect for the full term of this Agreement, other than those obligations of Concessionaire 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 Concessionaire. This Agreement may be cancelled or terminated by Concessionaire 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 Concessionaire 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 Concessionaire'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 Concessionaire in any or all of the Premises are damaged or destroyed, in whole or in part, from any cause whatsoever, Concessionaire 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 Concessionaire.

11.12 Service During Removal. Upon the termination, cancellation or expiration of this Agreement, and under circumstances permitting Concessionaire to remove from the Premises removable property belonging to Concessionaire. Subject to any remedies which City may have to secure any unpaid fees or charges due under this Agreement, Concessionaire shall have the right to remove from the Premises only those items of movable equipment and furnishings installed by it and listed on the aforesaid inventory; *provided, however*, Concessionaire shall repair all damage done to said areas and other City-owned property resulting from the removal of such machinery, equipment and fixtures.

11.13 City May Renovate. If, during the last month of this Agreement, Concessionaire 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 concessionaires, 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 Term 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, any Storage Rent, if any, payable pursuant to Exhibit C 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, Concessionaire's "**Faithful Performance Guarantee**" (as defined in Section 13.3) shall continue in effect. If the Premises are not surrendered at the end of the Term or sooner termination of this Agreement, and in accordance with the provisions of Sections 1.5 and 15, Concessionaire shall indemnify, defend and hold City and City Agents harmless from and against any and all Claims resulting from delay by Concessionaire 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 tenant or prospective concessionaire or tenant founded on or resulting from such delay and losses to City due to lost opportunities to lease any portion of the Premises to any such succeeding concessionaire or tenant or prospective concessionaire or tenant, together with, in each case, actual attorneys' fees and costs.

11.16 Administrative Assessments. The parties agree that Concessionaire's performance of its obligations under this Agreement are extremely important to City and that Concessionaire's failure to perform those activities will result in administrative and monitoring expenses to City and its staff. Therefore, the parties agree that the administrative assessments described on attached Exhibit S ("**Administrative Assessments**") are reasonable estimates of such expenses and shall be imposed on Concessionaire at the sole discretion of Executive Director for any of the violations described on Exhibit S. Executive Director may elect to waive an Administrative Assessment for a particular violation, but no such waiver shall apply to prior or subsequent violations of the same or any other provision of this Agreement, and such waiver shall not be deemed to set a precedent for further waivers. City's right to impose the foregoing Administrative Assessments shall be in addition to and not in lieu of any and all of City's rights under this Agreement, in the Rules and Regulations, or at law or in equity. Executive Director's decision to impose an Administrative Assessment on Concessionaire for one of the violations described on Exhibit S shall not preclude City, in the event Concessionaire subsequently commits the same or a different violation, from exercising any of such other rights of City, including, without limitation, its right to terminate this Agreement pursuant to Section 11. City shall have no obligation to Concessionaire to impose Administrative Assessments or fines on or otherwise take any action against any other concessionaire or tenant at the Airport. During the Term of this Agreement, Executive Director may reasonably adjust upward the amount of the Administrative Assessments set forth in Exhibit S by providing Concessionaire six (6) months advance written notice. Exhibit S may be modified by written approval of the Executive Director.

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 described in Section 13.4 herein, thereby rendering said Premises partially or totally inaccessible or unusable, Concessionaire must restore the Premises to substantially the same condition as they were immediately before destruction.

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 fire and extended coverage insurance described in Section 13.4 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 ten percent (10%) of the full replacement value of improvements, as said value existed immediately before said destruction, Concessionaire may, at Concessionaire's option, terminate this Agreement by giving written notice to City within

sixty (60) days from the date of discovery of such destruction. If Concessionaire elects to terminate as above provided, Concessionaire shall be obligated, unless otherwise directed by City, to demolish all damaged improvements and remove all debris from the Premises at Concessionaire's sole cost. If Concessionaire fails to exercise its right to terminate this Agreement, this Agreement shall continue in full force and effect for the remainder of the term specified herein and Concessionaire shall restore the Premises to substantially the same condition as they were in immediately before destruction.

12.1.3 Destruction Due to Negligence. Notwithstanding the foregoing, if the said Premises, or a substantial portion thereof, are completely destroyed as a result of the negligence or omission to act of Concessionaire or any of the Concessionaire Parties, said Rent shall not abate and City may, in its discretion, require Concessionaire to repair and reconstruct said Premises within twelve (12) months of the date of discovery of such damage and pay the cost therefore, or City may repair and reconstruct the same within twelve (12) months of the discovery of such damage and Concessionaire shall be responsible for reimbursing City for the cost and expenses incurred in such repair.

12.2 Limits of City's Obligations. In the application of the foregoing provisions, City's obligations shall be limited to repair or reconstruction of the Premises to the same extent and of equal quality as obtained by Concessionaire at the commencement of its operations hereunder. Redecoration and replacement of all of Concessionaire's personal property, furniture, equipment, trade fixtures, inventory, goods and supplies shall be the responsibility of Concessionaire and any such redecoration and refurnishing/reequipping shall be equivalent in quality to that originally installed.

XIII LIABILITY

13.1 Liability. Concessionaire shall comply with the "Hold Harmless", "Faithful Performance Guarantee Bond" and insurance provisions which follow.

13.2 City Held Harmless.

13.2.1 In addition to the requirements of Section 13.4 herein, Concessionaire shall indemnify, defend, keep and hold City and City Agents harmless from and against any and all Claims claimed by anyone by reason of injury to or death of persons, including Concessionaire or any of the Concessionaire Parties, or damage to or destruction of property, including property of Concessionaire or any of the Concessionaire Parties, sustained in, or about the Premises or Airport, arising out of the use and occupancy of the Premises or the Airport by Concessionaire or any of the Concessionaire Parties, or arising out of the acts or omissions of Concessionaire or any of the Concessionaire Parties.

13.2.2 To the fullest extent permitted by law, Concessionaire hereby releases and agrees to indemnify, defend and hold harmless the Landlords, and their respective directors, officers, agents, and employees (collectively, the "**Indemnified Parties**" and individually, an "**Indemnified Party**") from and against any and all claims, liabilities, losses, damages, fines, civil penalties, and expenses of any kind or nature whatsoever (including without limitation costs of suit and reasonable expenses of legal services) which may be suffered by, accrued against,

charged to or recoverable from any of the Indemnified Parties to the extent caused by any occupancy, use, or misuse of the Premises by Concessionaire, its officers, directors, employees, agents, contractors, or subtenants, City's sublessee or the customers, vendors, contractors or invitees of either Sublessee or City's sublessee. If and when the Amended Lease is terminated, for whatever reason, this Section 13.2.2 shall no longer be applicable to this Agreement.

13.2.3 In Concessionaire's defense of the City under this Section, negotiation, compromise, and settlement of any action, the City shall retain discretion in and control of the litigation, negotiation, compromise, settlement, and appeals there from, as required by the Los Angeles City Charter, particularly Article II, Sections 271, 272 and 273 thereof.

13.2.4 The indemnification obligations under Section 13.2 shall survive termination or expiration of this Agreement.

13.3 Faithful Performance Guarantee. Concessionaire shall furnish to City, at Concessionaire'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 performance by Concessionaire of all terms, provisions, and covenants contained herein, including, but not limited to, the payment of its Monthly Base Rent, Additional Rent, and any other specified compensation. The initial amount of the FPG shall be an amount equal to twenty five percent (25%) of the MAG as specified in this Agreement. Such FPG shall be separate from any other guarantee(s) required by City.

13.3.1 If Concessionaire has previously provided such FPG to City and if, for any reason, Concessionaire's monthly monetary obligation to City is thereafter increased in excess of ten percent (10%), then the amount of Concessionaire's FPG shall, within thirty (30) days after receiving written notice from City, correspondingly be increased.

13.3.2 If Concessionaire has previously provided such FPG to City and if, for any reason, Concessionaire's monthly monetary obligation to City is thereafter decreased in excess of ten percent (10%), then the amount of Concessionaire's FPG may be correspondingly decreased thirty (30) days following written notice to City by Concessionaire.

13.3.3 To the extent City may require as part of City's construction approval process that Alterations installed by Concessionaire 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.

13.3.4 FPGs of Five Thousand Dollars (\$5,000) or less shall be in the form of a Cashier's Check, Company Check, Money Order, Certificate of Deposit or Irrevocable Letter of Credit. FPGs in excess of Five Thousand Dollars (\$5,000) shall be in the form of 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. All FPGs must be approved as to form by the City Attorney.

13.3.5 Concessionaire shall furnish such FPG in duplicate prior to the commencement of this Agreement or within thirty (30) days following notice of adjustment of rental. If, for any reason, said FPG is not provided by Concessionaire 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 Concessionaire five (5) days prior written notice. Upon the expiration or earlier termination of this Agreement, and if Concessionaire has satisfied all of its obligations to City hereunder, City shall relinquish to Concessionaire said FPG following such expiration or earlier termination and satisfaction of all obligations to City. The FPG shall be submitted to:

Los Angeles World Airport
6053 West Century Blvd., #500
Los Angeles, CA 90045
Attn: Accounting/Revenue FPG Administrator

13.3.6 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, said Executive Director shall have the right to require a replacement LOC which Concessionaire shall furnish to the satisfaction of Executive Director within thirty (30) days after written notice to do so.

13.4 Insurance. Concessionaire 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 I attached hereto and incorporated by reference herein. 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 I with respect to acts or omissions of Concessionaire or any of the Concessionaire Parties in their respective operations, use, and occupancy of the Airport or other related functions performed by or on behalf of Concessionaire or any of the Concessionaire Parties in, on or about Airport.

13.4.1 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."

13.4.2 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 Concessionaire or any of the Concessionaire Parties. Such policies may provide for such reasonable deductibles and retentions as are acceptable to Executive Director based upon the nature of Concessionaire's operations and the type of insurance involved.

13.4.3 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 Concessionaire in Concessionaire's operations at Airport. In the event Concessionaire 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 Concessionaire, and Concessionaire agrees to promptly reimburse City for the cost thereof plus the Administrative Fee for administrative overhead. Payment shall be made within fifteen (15) days of invoice date.

13.4.4 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, Concessionaire 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.

13.4.5 Concessionaire 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 Concessionaire 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.

13.4.6 City and Concessionaire 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 Concessionaire, 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.

13.4.7 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. Concessionaire agrees, except where exempted, to provide City proof of said insurance by and through a surplus line broker licensed by the State of California.

XIV TRANSFER.

14.1 Transfer Prohibited. Concessionaire shall not, in any manner, directly or indirectly, by operation of law or otherwise, hypothecate, assign, transfer, or encumber this Agreement, the Premises 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 Concessionaire 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 Concessionaire by operation of law without the prior written consent of Board.

14.2 Transfer. For purposes of this Agreement, the terms "**Transfer**" shall include, but not be limited to, the following: (i) if Concessionaire 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 Concessionaire is a corporation, any cumulative or aggregate sale, transfer, assignment, or hypothecation of fifty percent (50%) or more of the voting shares of Concessionaire; (iii) the dissolution by any means of Concessionaire; and, (iv) a change in business or corporate structure, either in one (1) transaction or a series of transactions. Any such transfer, assignment, mortgaging, pledging, or encumbering of Concessionaire 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 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 Concessionaire 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.

14.4 No Release. Notwithstanding any Transfer, Concessionaire and any Guarantor of Concessionaire'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 Concessionaire's other obligations under this Agreement (regardless of whether City's approval has been obtained for any such Transfer).

14.5 Payment of City's Costs. In connection with any Transfer, Concessionaire 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.

14.6 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, Concessionaire 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.

14.7 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 Concessionaire, whether or not in violation of this Agreement, City may, after a Default by Concessionaire, collect Rent from the subtenant or 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, subtenant or occupant as Concessionaire, or a release of Concessionaire from the further performance by Concessionaire of Concessionaire'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 Concessionaire 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 Concessionaire shall not be construed as limited to sub-concessionaires or subtenants and those claiming under or through sub-concessionaires or subtenants but as including also licensees or others claiming under or through Concessionaire, immediately or remotely.

14.8 Reasonableness of Restrictions. Concessionaire acknowledges and agrees that the restrictions, conditions and limitations imposed by this Section 14 on Concessionaire'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 Concessionaire 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. Concessionaire's sole remedy if City withholds its consent to any Transfer in violation of Concessionaire's rights under this Agreement shall be injunctive relief, and Concessionaire hereby expressly waives California Civil Code Section 1951.310, 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 Concessionaire's rights under this Agreement, and any similar or successor statute or law in effect or any amendment thereof during the Term.

14.9 Transfer Premium. If City approves any Transfer as herein provided, Concessionaire shall pay to City, as Additional Rent, one hundred percent (100%) of any monetary or other economic consideration received by Concessionaire as a result of the Transfer over and above the amount of Concessionaire'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 undepreciated cost of improvements which costs had been approved by City and paid for by Concessionaire. 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 Concessionaire is in default under this Agreement with respect to the payment of Rent. In the event that, notwithstanding the giving of such notice, Concessionaire collects any rent or other sums from such transferee, then Concessionaire 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 Concessionaire; 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; Concessionaire Responsibility. Except as may be specifically approved in writing in advance by Executive Director ("**Permitted Hazardous Materials**"), Concessionaire 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 Concessionaire 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. Concessionaire 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**"), 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. Concessionaire agrees that any damages, penalties or fines levied on City or Concessionaire as a result of noncompliance with any of the above shall be the sole responsibility of Concessionaire. Further, Concessionaire shall indemnify, defend, protect and pay and reimburse and hold City and City Agents harmless from any Claims that City or any City Agent suffers or incurs as a result of noncompliance with the above. Concessionaire 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 Concessionaire as a result of noncompliance with any of the provisions in this Section shall be the sole responsibility of Concessionaire and that Concessionaire 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 Concessionaire's non-compliance with any of the terms of this Section, and Concessionaire shall reimburse City for any such payments within fifteen (15) days after written demand therefore.

15.3 Spill - Clean-Up. In the case of any Hazardous Materials spill, leak, discharge, or improper storage on the Premises or contamination of the Premises by any person,

Concessionaire 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 Concessionaire or any of the Concessionaire Parties at the Premises or in, on or under adjacent property which affects other property of City or its tenants' property, Concessionaire shall make or cause to be made any necessary corrective actions to clean up and remove any spill, leakage or contamination and contaminated materials. If Concessionaire fails to repair, clean up, properly dispose of or take any other corrective actions as required herein, 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, Concessionaire 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 shall be at Concessionaire's sole cost and expense and Concessionaire 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 Concessionaire.

15.4 Provision to City of Environmental Documents. Concessionaire shall promptly supply City with complete and legible copies of all notices, reports, correspondence, and other documents sent by Concessionaire to or received by Concessionaire 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 Concessionaire'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 Concessionaire 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 Concessionaire 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 Concessionaire by reason of the exercise of

such right. City shall not be obliged to inform Concessionaire that an inspection or observation is planned, or in progress. Concessionaire shall be responsible for compliance with any and all Laws relating to the use, storage, and handling of hazardous waste materials in connection with Concessionaire's operations only. Upon City's written request, responsible representatives of Concessionaire will confer with representatives of City for the purpose of making a complete inspection of Concessionaire'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, Concessionaire 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, Concessionaire 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 Concessionaire'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 Concessionaire.

16.5.2 Notice to Concessionaire. Written notices to Concessionaire hereunder shall be given by United States mail, postage prepaid, certified, or by personal delivery or nationally recognized overnight courier, and addressed to Concessionaire at the address set forth in the Basic Information or to such other address as Concessionaire may designate by written notice to City. Concessionaire agrees to accept email notices to the email address provided in the Basic Information, in addition to receiving written notice as provided in this Section 16.5.2, should the City send such email notice.

16.5.3 The execution of any such notice by Executive Director shall be as effective as to Concessionaire as if it were executed by the Board, or by resolution or order of said Board, and Concessionaire 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 Concessionaire 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 Concessionaire 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, Concessionaire 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 Concessionaire's Registered Agent or such change of Registered Agent as Concessionaire 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, Concessionaire may be personally served with such process out of this State by mailing, by registered or certified mail, the complaint and process to Concessionaire at the address set out hereafter in the Agreement, and that such service shall constitute valid service upon Concessionaire as of the date of mailing, and Concessionaire shall have thirty (30) days from the date of mailing to respond thereto. Concessionaire 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 Concessionaire 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 Concessionaire's operations. Concessionaire 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, restrictions, ordinances, statutes, Laws, orders, directives and or conditions.

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

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, Concessionaire agrees to consent to such amendments, modifications, revisions, supplements or deletions or 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 Concessionaire 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 the Premises, provided it is the Permitted Use, to which Concessionaire has put the Premises.

16.9 Independent Contractor. It is the express intention of the parties that Concessionaire is an independent contractor and not an employee, agent, joint venturer or partner of City. Nothing in this Concessionaire shall be interpreted or construed as creating or establishing the relationship of employer and employee between Concessionaire and City or between Concessionaire and any official, agent, or employee of City. Both parties acknowledge that Concessionaire is not an employee of City. Concessionaire 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 Concessionaire 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 including any services, programs, improvements or activities provided by Concessionaire. Concessionaire shall be solely responsible for any and all Claims and damages caused by, or penalties levied as the result of, Concessionaire's noncompliance. Further, Concessionaire agrees to cooperate fully with City in its efforts to comply with the ADA.

16.10.2 Should Concessionaire 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. Concessionaire shall then be required to reimburse City for the actual cost of achieving compliance, plus the Administrative Fee, within fifteen (15) days of written demand therefore.

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 has been attached hereto for the convenience of the parties as Exhibit J. Pursuant to this Section, Concessionaire (and any sub-concessionaire of Concessionaire providing services to City under this Agreement) shall (1) fully comply with all State and Federal employment reporting requirements for Concessionaire's or Concessionaire's sub-concessionaire's employees applicable to Child Support Assignment Orders; (2) certify that the principal owner(s) of Concessionaire and applicable sub-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 Concessionaire or an applicable sub-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 Concessionaire or applicable sub-concessionaires to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default of this Contract subjecting this Agreement to termination where such failure shall continue for more than ninety (90) days after notice of such failure to Concessionaire by City (in lieu of any time for cure provided elsewhere in this Agreement).

16.12 Business Tax Registration. Concessionaire 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). Concessionaire 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 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. Concessionaire 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 Concessionaire 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 Concessionaire or any person claiming under or through Concessionaire 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, Concessionaire 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. Concessionaire 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, Concessionaire 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 K. 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 Concessionaire 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 Concessionaire. Upon a finding duly made that Concessionaire 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, Concessionaire 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 L. 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 Concessionaire 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 Concessionaire. Upon a finding duly made that Concessionaire has failed to comply with the Affirmative Action Program provisions of this Agreement, this Agreement may be forthwith terminated, cancelled, or suspended.

16.16 Security - General. Concessionaire 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. Concessionaire shall be responsible for the maintenance and repair of gates and doors that are located at the Premises or controlled by Concessionaire. Concessionaire shall comply fully with applicable provisions of the Federal Aviation Administration Regulations, 14 CFR, Part 107 [and Part 108 if Concessionaire 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, Concessionaire shall exercise exclusive security responsibility for the Premises and, if Concessionaire is an air carrier, do so pursuant to Concessionaire'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 Concessionaire at all times when not in use or under Concessionaire'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 Concessionaire until repairs are affected by Concessionaire 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 Concessionaire shall be the sole responsibility of Concessionaire. Concessionaire 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 Concessionaire's leasehold or the breach of any obligation imposed by this Section. Concessionaire 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 Concessionaire to City within fifteen (15) days of written demand.

16.16.4 Security Arrangements. City shall provide, or cause to be provided, during the term hereof, all proper and appropriate 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. Concessionaire shall have the right, but shall not be obligated, to provide such additional or supplemental private protection as it may desire, but such right, whether or not exercised by Concessionaire, shall not in any way be construed to limit or reduce the obligations of City hereunder.

16.17 Visual Artists' Rights Act. Concessionaire 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. Concessionaire 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 Concessionaire. Concessionaire, 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 Concessionaire'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 is 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 N. 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. Concessionaire 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, Concessionaire 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), Concessionaire 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 is a service contract under the LWO, and that it is not exempt from coverage by the LWO. Determinations as to whether this Agreement is a service contract 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 Concessionaire in writing about any redetermination by City of coverage or exemption status. To the extent Concessionaire claims non-coverage or exemption from the provisions of the LWO, the burden shall be on Concessionaire to prove such non-coverage or exemption.

16.18.2 Compliance; Termination Provisions and Other Remedies: Living Wage Policy. If Concessionaire is not initially exempt from the LWO, Concessionaire shall 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. If Concessionaire is initially exempt from the LWO, but later no longer qualifies for any exemption, Concessionaire shall, at such time as Concessionaire 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 Concessionaire 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.

16.19 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 O. If applicable, Concessionaire 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 Concessionaire 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 Concessionaire or sub-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 Concessionaire 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**"), Concessionaire certifies and represents that Concessionaire 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. Concessionaire 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 Concessionaire'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 Concessionaire 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 Concessionaire to its employees, their spouses and the domestic partners of employees.

16.20.1 Concessionaire 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, Concessionaire 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 Concessionaire to comply with the EBO will be deemed to be a material breach of this Agreement by City. If Concessionaire 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 Concessionaire in actions taken pursuant to the provisions of Los Angeles Administrative Code Section 10.40, et seq.,

Concessionaire Responsibility Ordinance. If City determines that Concessionaire 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. Concessionaire 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 P and incorporated herein by reference.

16.22 First Source Hiring Program for Airport Employers. For all work performed at Airport, Concessionaire shall 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 Q.

16.23 Environmentally Favorable Options. Concessionaire acknowledges for itself and any 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. Concessionaire 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) Concessionaire 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) Concessionaire shall have submitted to City a copy of such LPA, or evidence of a signed Labor Peace Agreement acceptable to the City, 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 Concessionaire at any of the airports operated by City for the duration of this Agreement.

16.26 Alternative Fuel Vehicle Requirement Program. Concessionaire 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 M and made a material term of this Agreement.

16.27 Ownership of Work Product. Concessionaire agrees that any and all intellectual properties, including, but not limited to, all ideas, concepts, themes, computer programs or parts thereof, documentation or other literature, or illustrations, or any components thereof, conceived, developed, written or contributed by Concessionaire, 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, Concessionaire shall execute, acknowledge and deliver to City or its designee, an Estoppel Certificate in the form then required by City under its standard leases and with any other statements reasonably requested by City or its designee. Any such Estoppel Certificate may be relied upon by such designee. If

Concessionaire fails to provide such certificate within ten (10) days of receipt by Concessionaire of a written request by City as herein provided, such failure shall, at City's election, constitute a Default under this Agreement, and Concessionaire 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.

16.30 Laws of California and United States. This Agreement, and every question arising hereunder, shall be construed or determined according to the Laws of the State of California, and of the United States. Concessionaire 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 government authority. Concessionaire shall be solely responsible for fully complying with any and all applicable present or future orders, directives, or conditions issued, given or imposed by Executive Director which are now in force or which may be hereafter adopted by the Board or Executive Director with respect to the operation of the Airport. Concessionaire 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 Laws, rules, regulations, restrictions, restrictions, ordinances, statutes, orders, directives and or conditions.

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. The term "**Transferee**" shall include any transferee of Concessionaire on any Transfer permitted and approved by Board.

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 Anti-trust Claims. Concessionaire understands that it may be subject to California Government Code Sections 4550–4554. If applicable, Concessionaire offers and agrees that it will assign to the City all rights, title, and interest in and to all causes of action it may have under

Section 4 of the Clayton Act or under the Cartwright Act, arising from purchases of goods, services, or materials by Concessionaire.

16.34 Entire Agreement. The provisions of this Agreement, the RFP and Concessionaire's proposal 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 Concessionaire. If there appears to be a contradiction in the terms of the proposal documents prepared by City, the specific provision(s) shall rule over the general provision(s). 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. Concessionaire acknowledges that it has conducted its own due diligence investigation of its prospects for successfully operating the Permitted Uses 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 Concessionaire with respect to any of such matters, and that all prior discussions between City and Concessionaire with respect to such matters are superseded by this Agreement.

16.35 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. The invitation for proposals, instructions to proposers, including Concessionaire's certification form and affirmative action plan, the basic specification, including any addenda thereto, the affidavit of non-collusion and the bonds or other security deposits required under said instructions are a part of this Agreement, and each of the parties hereto does hereby expressly covenant and agree to carry out and fully perform each and all of the provisions of said documents upon its part to be performed.

16.36 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.

16.37 Venue. Venue shall lie in the appropriate U.S. Federal Court or California Superior Court located in Los Angeles County.

16.38 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.

16.39 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 Concessionaire. In the event of any express conflict between the terms of this Agreement and the terms of the RFP and or Concessionaire's Proposal, the terms of the Agreement shall prevail.

16.40 Section Headings. The section headings appearing herein are for the convenience of City and Concessionaire, 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.

16.41 Waiver of Claims. Concessionaire 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.

16.42 Waiver. Every provision herein imposing an obligation upon City of Concessionaire is material inducement and consideration for the execution of this Agreement. No waiver by City or Concessionaire 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.

16.43 Representations of Concessionaire. Concessionaire (and, if Concessionaire 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. Concessionaire shall re-certify such representations to City periodically, upon City's written request.

16.43.1 If Concessionaire is an entity, Concessionaire 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 Concessionaire have the full right and authority to execute this Agreement on behalf of Concessionaire and to bind Concessionaire without the consent or approval of any other person or entity. Concessionaire 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 Concessionaire, enforceable in accordance with its terms.

16.43.2 Concessionaire 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.

16.43.3 Concessionaire hereby represents and warrants to City that Concessionaire 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 Concessionaire, 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 Concessionaire'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.

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

16.47 Board Order AO-5077 Exemption. With respect to the provision of products and services pursuant to this Concession Agreement, Concessionaire and its respective vendors are expressly exempt from the Board-imposed license fee described in Board Order AO-5077 ("Board Order") and related Staff Report, and any subsequent Board action substituting, replacing or modifying the Board Order, 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.

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

16.48.1 Concessionaire, 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, Concessionaire 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 # [REDACTED]. 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.'

16.48.2 Concessionaire, 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.

16.49. Guaranty. Concurrently with the execution of this Agreement, Areas USA, Inc. shall execute and deliver to City an unconditional guaranty of the obligations of Concessionaire under this Agreement in the form of the Guaranty attached to this Agreement as Exhibit U.

[Signatures on next page]

IN WITNESS WHEREOF, City has caused this Agreement to be executed on its behalf by Executive Director and Concessionaire 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:

MICHAEL N. FEUER,
City Attorney

Date: January 20, 2015

By: [Signature]
Deputy/Assistant City Attorney

CITY OF LOS ANGELES

Date: _____

By: _____
Executive Director
Department of Airports

ATTEST:

By: [Signature]
Signature (Secretary)
Eduardo Uribe

Print Name

AREAS USA LAX, LLC

By: [Signature]
Signature (President)
Xavier Rabell

Print Name

President
Print Title

GUARANTOR:

AREAS USA, INC.,
incorporated in Florida

By: [Signature]
(Name of Guarantor)
Xavier Rabell

Print Name and Title

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LIST OF EXHIBITS

- Exhibit A: Description of Premises
- Exhibit A-1: Site Plan Showing Premises
- Exhibit B-1: Terminal Facilities Lease (LAA-4687) between American Airlines, Inc. and the City of Los Angeles, dated November 26, 1984
- Exhibit B-2: First Amendment to Terminal Facilities Lease (LAA-4687) between American Airlines, Inc. and the City of Los Angeles, dated January 18, 2002 (LAA-4687A)
- Exhibit B-3: Sublease Agreement between American Airlines, Inc. and the City of Los Angeles, dated _____, 2015 (LAA-____)
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EXHIBITS

EXHIBIT A

DESCRIPTION OF PREMISES

Terminal	Square Feet
4	1,000

EXHIBIT A-1

Gate 42B

Food Court

Sunglass Hut

Hollywood Style

Hudson News

Branded Coffee Location
Approximately 1,000 SF

Gate 45

DN 78

UP DN

12

36

39

40

26

23

18

66

62

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EXHIBIT A-1

EXHIBIT B-1

**TERMINAL FACILITIES LEASE (LAA-4687) BETWEEN AMERICAN AIRLINES,
INC. AND CITY OF LOS ANGELES, DATED NOVEMBER 26, 1984**

CONFORMED COPY

LAA 4687

CORRECTED COPY
REDISTRIBUTED 10-5-84.

**Board of
Airport Commissioners**

Johannie L. Cochran, Jr.
President
Robert A. Chick
Vice President
D. A. "Curt" Curtiss
Samuel Greenberg
Maria D. Hummer

BOARD ORDER NO. AO-3689

Clifton A. Moore
General Manager

ORDER AUTHORIZING LEASE BETWEEN THE CITY OF LOS ANGELES AND AMERICAN AIRLINES, INC. (TERMINAL FACILITIES LEASE) COVERING SPACE IN TICKETING/SATELLITE BUILDING NO. 4 AND ADJACENT GROUND AREAS AT LOS ANGELES INTERNATIONAL AIRPORT AND APPROVAL OF THE PROPOSED NON-PROFIT METHOD OF FINANCING THE FACILITIES DESCRIBED IN THE LEASE (INCLUDING THE INDENTURE, MORTGAGE AND DEED OF TRUST), APPROVAL OF THE CORPORATE EXISTENCE AND THE MEMBERSHIP OF THE REGIONAL AIRPORTS IMPROVEMENT CORPORATION (A CALIFORNIA NON-PROFIT CORPORATION), APPROVAL OF THE ISSUANCE OF THE BONDS TO BE USED TO FINANCE CONSTRUCTION OF THE FACILITIES AND ACCEPTANCE OF THE PRESENT BENEFICIAL INTEREST, APPROVAL OF THE CONTINGENT LEASE BETWEEN THE CITY AND THE REGIONAL AIRPORTS IMPROVEMENT CORPORATION AND CHEMICAL BANK (A NEW YORK BANKING CORPORATION), APPROVAL OF A FACILITIES SUBLEASE AND AGREEMENT BETWEEN THE REGIONAL AIRPORTS IMPROVEMENT CORPORATION AND AMERICAN AIRLINES, INC., THE CONSENT TO THE PARTIAL ASSIGNMENT OF THE TERMINAL FACILITIES LEASE BETWEEN AMERICAN AIRLINES, INC. AND THE REGIONAL AIRPORTS IMPROVEMENT CORPORATION, AND THE CONSENT TO THE ASSIGNMENT OF THE TERMINAL FACILITIES LEASE BETWEEN AMERICAN AIRLINES, INC. AND CHEMICAL BANK.

Section 1. WHEREAS, there has been negotiated a Lease between the City of Los Angeles and American Airlines, Inc. a Delaware corporation, (Terminal Facilities Lease) covering space in Ticketing/Satellite Building No. 4 and adjacent ground area at Los Angeles International Airport. The Lease will facilitate and allow American Airlines to construct an 80,800 square foot connector addition between Ticketing Building No. 4 and Satellite-Building No. 4 together with the reconstruction, relocation and remodeling of facilities in Ticketing/Satellite Building No. 4 and the construction of a pedestrian overcrossing between Ticketing No. 4 and Parking Structure No. 4 collectively referred to as "The Facilities"; and

WHEREAS, the Lease will be for a maximum period of forty (40) years commencing thirty (30) days after approval of the Lease by the City Council or upon the sale of the bonds, but in no event before thirty (30) days after approval by the City Council. The term, however, will be subject to qualification to the extent that the lease term would be coincidental with the expiration of the proposed term of non-profit tax exempt financing but in no event longer than forty (40) years; and

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WHEREAS, the rental for the terminal space will be at rates previously established by the Board of Airport Commissioners for terminal facilities. The ground rent, upon which the connector addition has been constructed, will be at the rate of \$.424 per square foot per year which reflects an 8 1/2% return on land valued at \$217,800 per acre per year and which rate is in accordance with Board policy; and

WHEREAS, the Lease will provide that the City would be obligated to "purchase", via rental credits, all newly created "City Areas" which include, but are not necessarily limited to, public lobbies, restrooms, utility corridors, public vertical transportation systems, etc. It was anticipated that the total cost of the City Areas will approximate \$7 million; and

WHEREAS, a significant portion of the terminal facilities covered by this Lease are presently leased by American Airlines under Lease No. LAA-437 which Lease will expire on November 10, 1989. Lease No. LAA-437, as amended, will be mutually terminated coincidental with the commencement of this Lease; and

WHEREAS, American Airlines, Inc. has an approved Affirmative Action Plan on file; and

WHEREAS, authority to negotiate this Lease was previously obtained from the Board pursuant to Resolution No. 12662; and

WHEREAS, the environmental consequences of this Lease were covered by the Los Angeles International Airport Environmental Impact Report certified by the Board of Airport Commissioners on January 7, 1981 and no further action is required pursuant to Article III, Section 2.i. of the Los Angeles City CEQA Guidelines; and

WHEREAS, it was anticipated that the proposed improvements will be financed by American Airlines utilizing a non-profit method of financing the facilities through the Regional Airports Improvement Corporation. The minimum aggregate face amount of the financing would not exceed \$40 million. It is, therefore, requested that the Board approve the proposed non-profit method of financing; approve in form the Facilities Sublease and Agreement (The "Facilities Sublease") between the Regional Airports Improvement Corporation and American Airlines, Inc.; approve in form an Indenture of Mortgage and Deed of Trust (The "Indenture") between the Regional Airports Improvement Corporation and Bankers Trust Company, a New York banking corporation, as Trustee (The "Trustee"); approve in form the Partial Assignment of Terminal Facilities Lease (The "Partial Assignment") between the Regional Airports Improvement Corporation and American Airlines, Inc.; approve in form an Assignment of Terminal Facilities Lease (The "Assignment") between American Airlines, Inc. and Chemical Bank, a New York banking corporation (The "Bank"); and approve a form of Contingent...

WHEREAS, it is understood that upon execution of the above enumerated documents, the Regional Airports Improvement Corporation will issue, pursuant to the Indenture, Facilities Sublease Flexible Demand Revenue Bonds, Issue of 1984, American Airlines, Inc. (Los Angeles International Airport) (The "Bonds"), the proceeds of which will be used to finance the construction and installation of the facilities involved with the terminal modification project; and

WHEREAS, it was further assumed that title to the Facilities will vest in the City upon beneficial occupancy of the premises by American Airlines, Inc.; and

WHEREAS, the Board has previously conducted a duly noticed public hearing, on the issuance of the bonds, to comply with the public hearing requirements of Section 103 (k) of the Internal Revenue Code of 1954, as amended;

NOW, THEREFORE, IT IS ORDERED that it is in the best interest of the City of Los Angeles to make and enter into said Lease, which is exempt from CEQA requirements, and the Board approves, if substantially in conformance with the draft submitted to the Board, the Terminal Facilities Lease and the Contingent Lease Agreement and authorizes the General Manager to execute such lease and agreement upon approval as to form by the City Attorney and upon approval by the City Council.

Section 2. IT IS FURTHER ORDERED that the Board approves, if substantially in conformance with the drafts submitted to the Board, the Facilities Sublease, the Indenture, the Assignment and the Partial Assignment, and authorizes the General Manager to execute the Consent to the Facilities Lease, the Assignment and the Partial Assignment.

Section 3. IT IS FURTHER ORDERED that the City agrees that it shall accept title to the Facilities and to the other assets of RAIC relating to this particular transaction and present beneficial interest in the facilities all as set forth in documents heretofore referenced.

Section 4. IT IS FURTHER ORDERED that the City approves the proposed nonprofit method of financing the construction and installation of the Facilities and approves the issuance of the Bonds by RAIC to finance construction and installation of the Facilities in accordance with the Indenture.

Section 5. IT IS FURTHER ORDERED that the Board approves the corporate existence and purpose of the RAIC and the present membership of its Board of Directors.

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- Section 6. IT IS FURTHER ORDERED that the Secretary of the Board is hereby directed to transmit to the City Council of the City of Los Angeles a certified copy of this Order, together with a copy of said Lease for appropriate action on its part, in accordance with Section 238.9 of the Charter of the City of Los Angeles.
- Section 7. IT IS FURTHER ORDERED that the Secretary of the Board certify to the passage of this Order and cause the same to be published once in the Los Angeles Daily Journal in the same manner as Ordinances of the City of Los Angeles are published, upon approval thereof by the City Council.

oOo

I hereby certify that the foregoing is a true and correct copy of Board Order No. AO-3689 adopted by the Board of Airport Commissioners at a regular meeting held Wednesday, July 25, 1984.

Linda J. Miller

ACTING SECRETARY

Elaine E. Staniec - Secretary
BOARD OF AIRPORT COMMISSIONERS

AMERICAN AIRLINES, INC.
TERMINAL FACILITIES LEASE

CONFORMED COPY
LAA 4687 17

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2ND DRAFT

LEASE BETWEEN THE CITY OF LOS ANGELES
AND AMERICAN AIRLINES, INC. COVERING
TERMINAL FACILITIES AT LOS ANGELES
INTERNATIONAL AIRPORT

THIS LEASE, made and entered into this 26th day of
November, 1984, by and between the CITY OF LOS
ANGELES, a municipal corporation, acting by order of and through
its Board of Airport Commissioners (hereinafter referred to as
"City"), and AMERICAN AIRLINES, INC. a corporation (hereinafter
referred to as "Lessee"),

W I T N E S S E T H

WHEREAS, City is the owner of Los Angeles International
Airport (hereinafter referred to as "Airport") and operates the
same for the promotion, accommodation and development of air
commerce and air transportation between City and other cities
of the United States and the cities of other nations or the
world; and

WHEREAS, City is in the process of undertaking certain
construction projects at Airport, including the construction of
expanded passenger terminal facilities and a second-level
roadway approach to said expanded facilities; and

WHEREAS, Lessee is engaged in the business of commercial
air transportation of persons, cargo, property and mail as a

scheduled air carrier, and desires to lease from City certain premises at Airport consisting of certain portions of previously existing terminal facilities and additional terminal areas and facilities at Airport including, but not limited to those facilities which it has already expanded, remodeled and constructed to be financed by the Regional Airports Improvement Corporation (hereinafter referred to as the "Corporation" or "RAIC") or through other means available to Lessee; and

WHEREAS, City has premises available for lease for such purpose on Airport and it is in City's and public's best interest to lease said premises to Lessee; and

NOW, THEREFORE, the parties hereto, for and in consideration of the premises and of the terms, covenants and conditions hereinafter contained to be kept and performed, DO MUTUALLY AGREE AS FOLLOWS:

Sec. 1. Section Headings. The section headings appearing herein are for the convenience of City and Lessee and shall not be deemed to govern, limit, modify or in any manner affect the scope, meaning or intent of the provisions of this Lease.

Sec. 2. Definitions. For purposes of this Lease, (1) "Preferential Use Gates" shall mean aircraft parking/loading positions assigned by the General Manager pursuant to Section 23 hereof for which Lessee shall have the first right of use during

the term of this Lease; (2) "Lessee's Improvements" shall mean those expanded terminal areas, structures and facilities acquired, constructed or altered by Lessee, and all other improvements acquired, altered, constructed or installed by Lessee, upon the demised premises, regardless of whether such improvements were financed or, if financed, regardless of by what means or through what sources such financing has been achieved; (3) "RAIC facilities" shall mean those of Lessee's Improvements, consisting of both real and personal property, the acquisition, construction or installation of which has been financed by or through the Corporation; and (4) "Airport Terminal Use" shall mean utilization of all or part of the demised premises, directly or indirectly, for any activity which is the same or similar to activities engaged in by Lessee in providing air transportation services in the demised premises during the twelve months immediately preceding Lessee's receipt of written notice from City that City will exercise its Buyback right hereunder.

Sec. 3. Demised Premises. City hereby leases to Lessee and Lessee takes and leases from City, for the term and upon the conditions hereinafter provided, the demised premises as set forth below:

A. Category I Space and Facilities (pre 1984 facilities)

1. Ticketing Building

All of those portions of the first floor of Ticketing Building No. 4, containing approximately 13,354 square feet, as more particularly delineated and outlined in red on Airport Drawing No. 84102-80, which is attached hereto and made a part hereof as Exhibit "B".

2. Satellite Buildings

(a) All of that portion of the operation level of Satellite Building No. 4, exclusive of the passenger holding area previously constructed by Lessee which is described in this Lease as Category II Space and Facilities, containing approximately 33,362 square feet, as more particularly delineated and outlined in red on Airport Drawing No. 84107-80, which is attached hereto and made a part hereof as Exhibit "G".

(b) All of that portion of the public level of Satellite Building No. 4, exclusive of the passenger holding area previously constructed by Lessee, which is described in this Lease as Category II Space and Facilities, containing approximately 13,423 square feet, all as more particularly delineated and outlined in red on Airport Drawing No. 84108-80, which is attached hereto and made a part hereof as Exhibit "H".

(c) All of that portion of the mezzanine level of Satellite Building No. 4, containing approximately 8,768 square feet, as more particularly delineated and outlined in red on Airport Drawing No. 84109-80 which is attached hereto and made a part hereof as Exhibit "I".

3. Baggage Channels and Baggage Ramps

All of the Baggage Channel between Satellite Building No. 4 and Ticketing Building No. 4 including Basement area of Ticketing Building No. 4 consisting of approximately 13,097 square feet, as more particularly delineated and outlined in orange on Airport Drawing No. 84103-80, made a part hereof as Exhibit "C" and Airport Drawing No. 84106-80, made a part hereof as Exhibit "F", copies of which are attached hereto.

4. Ground Areas

(a) All of those ground areas of Ticketing Building No. 4 consisting of an approximate total of 25,006 square feet, as more particularly situated and delineated in green on Airport Drawing No. 84103, a copy of which is attached hereto and made a part hereof, as Exhibit "C".

(b) All of those ground areas of Satellite Building No. 4 consisting of approximately 1,056 square feet, as more particularly delineated and outlined in green on Airport Drawing No. 84108-80, a copy of which is attached hereto and made a part hereof as Exhibit "H".

B. Category II Space and Facilities (wide body appendage)

1. Commencing on the effective date of this Lease and continuing up to and including November 10, 1989, those ground areas of Satellite Building No. 4 consisting of approximately 24,640 square feet, as more particularly delineated and outlined in brown on Airport Drawing No. 84105-80, a copy of which is attached hereto and made a part hereof as Exhibit "H".

2. Commencing on November 11, 1989 and continuing for the remainder of the term of this Lease, the ground areas specified in Paragraph B.1. above, together with the passenger holdrooms and northerly exterior to Satellite Building No. 4 previously constructed by Lessee and other improvements situated thereon, as more specifically described on Exhibit "H", and outlined in brown, which is attached hereto and made a part hereof, title to said holdroom and improvements having vested in City effective November 11, 1989.

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C. Category III Space (ground areas)

1. Satellite Building No. 4 Connector Ground Area

All that ground area consisting of approximately 27,387 square feet, as more particularly delineated and outlined in green on Airport Drawing No. 84104-80, a copy of which is attached hereto and made a part hereof as Exhibit "D".

D. Category IV Space and Facilities (roof area)

All that portion of the roof area of Ticketing Building No. 4 containing approximately 9,188 square feet, as more particularly delineated and outlined in red on Airport Drawing No. 84101-80, a copy of which is attached hereto and made a part hereof as Exhibit "A".

E. Category V Airspace (public pedestrian overcrossing)

That airspace between Ticketing Building 4 and Parking Structure 4 as more particularly delineated and outlined in red on Airport Drawing No. 84105-80 which is attached hereto and made a part hereof as Exhibit "E", together with the right to affix the public pedestrian overcrossing to such Building and Structure.

It is understood and agreed that Lessee accepts the demised premises in the condition the same are in as of the commencement

of this Lease.

It is further understood and agreed that with respect to those square footage areas set forth in Paragraphs A.1.(b), A.3.(b), A.4.(b), B.2, and D.2, all square footage is approximate and shall be corrected to actual square footage upon completion of construction. In the event the actual square footage for each category of the demised premises differs by less than ten (10%) percent from the respective approximations set forth above, such correction shall be made by the parties without the need for formal amendment to this Lease, and with an appropriate adjustment in rental, charges or credits, as applicable, by way of an increase or decrease, as the case may be. Upon the completion of construction, minor modification(s) to any category of the demised premises, not to exceed a cumulative total of 10% of the actual square footage of said category of the demised premises, may be made by the Board of Airport Commissioners (hereinafter referred to as "Board"), through appropriate Order, pursuant to agreement of Lessee and City, and with an appropriate adjustment in rental, charges or credits, as applicable, by way of an increase or decrease, as the case may be, and will not necessitate further City Council approval.

City reserves the right to further develop or improve the landing area of Airport. The foregoing shall be without prejudice to any other rights or obligations the parties hereto may have under the law.

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Sec. 4. Reservation of Certain Areas of the
Demised Premises as City Areas

A. City reserves the right hereunder to, and hereby does, designate, effective upon Lessee's beneficial occupancy of Lessee's Improvements and continuing thereafter for the full term of this Lease, certain areas of the demised premises, as designated on the design plans and specifications referred to in Section 9.A.1. consisting of public, concession, vertical transportation and building mechanical and custodial areas, as "City Areas". However, the pedestrian overcrossing is not considered a City area. It is understood and agreed that City shall have exclusive care, custody and control of said City Areas and the improvements thereon, shall assume all risk of loss thereto, and shall maintain and operate said City Areas in accordance with reasonably prudent practices and the terms, conditions and provisions of this Lease.

B. Commencing upon the effective date of such designation pursuant to Section 4A above, City hereby grants Lessee a rental credit which shall be computed based upon Lessee's identifiable Project Costs, including costs of financing, associated with construction of said City Areas, pursuant to generally accepted accounting and allocation practices and principles, and any ground rental due City pursuant to Section 6C hereof applicable to said City Areas, to be applied against Lessee's rentals, fees, charges, and other obligations to City at Airport; on a monthly basis, or City, at its option and in its sole discretion, may, at

any time, make a lump sum payment to Lessee in the sum of the then unamortized Project Costs associated with construction of said City Areas.

It is understood that the Lessee is to seek and use its best efforts to obtain the most favorable financing terms available for the construction of Lessee's Improvements, including City Areas. In the event that (1) the Internal Revenue Service (IRS) fails to issue a favorable ruling allowing the issuance of RAIC Corporation lease revenue bonds as contemplated in Section 21 (B) hereof or (2) that Lessee is unable to sell RAIC Corporation lease revenue bonds after reasonable and prudent efforts, then, upon the happening of either of the above conditions, Lessee will use its best efforts to obtain the lowest interest rate and overall financing costs for construction of Lessee's Improvements and City Areas. It is understood that said financing, in no event, shall include facilities or improvements other than those contemplated in Sections 9, and 10 of this Lease. Lessee further agrees to submit the terms and conditions of any non-Corporation financing program to the General Manager for review. The General Manager will have thirty (30) calendar days to review terms of such financing.

Within thirty (30) days after receipt by the City of the financing program, the Lessee will be informed in writing if the City chooses to finance the cost of the City Areas by means other than Lessee's proposed financing

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or if City intends to make a lump sum payment for the costs associated with the City Areas as provided for in this Section (8); provided, that in the event the City elects to make a lump sum payment, the lump sum payment shall be made within the time-frame applicable to Lessee's financing proposal, or, if the City elects alternative financing, all necessary action for such financing shall be taken as promptly as possible. In the further event that a favorable ruling from the IRS has been obtained, allowing the issuance of Corporation's lease revenue bonds, and Lessee elects not to pursue the issuance or sale of said bonds, as a result of Lessee's option, then the costs of financing associated with the City Areas shall be limited to the interest rate then prevailing, at the time of financing, for Municipal Tax Exempt Bonds (Rating "A1") as indicated in the Moody's Bond Survey in effect at that time.

Upon payment by City of the above-described lump sum payment to Lessee, the rental credit to Lessee provided for in Section 4B, and City's obligations to Lessee pursuant to Section 4C, of this Lease shall terminate. An amount equal to such rental credit or cash payment shall be applied by Lessee to reduce the outstanding financial indebtedness incurred by Lessee in making Lessee's Improvements. For purposes of this Section 4, Project Costs shall mean "Cost

of the Project" as defined in Exhibit K, which is attached hereto and made a part hereof.

C. In the event of termination of this Lease prior to the expiration of its full term, the obligations of City to apply and/or pay rental credits (in the event City has not opted to pay such credit in one lump sum) and of Lessee to apply such credits to reduce its indebtedness, pursuant to Sec. 4B above, shall continue until the time that the full term of this Lease would expire. Notwithstanding any provision hereof to the contrary, if City exercises its Buyback Right under Section 11 hereof or if City exercises its right to purchase Corporation's interest in the Facilities pursuant to the Indenture as hereafter defined, any rental credit to Lessee provided for in Section 4B shall terminate upon the termination of this Lease.

Sec. 5. Term of Lease. The full term of this Lease shall be for a period of forty (40) years, commencing on the later of the date the bonds to be issued by Corporation as contemplated by Section 21B are first delivered to the purchasers thereof or thirty (30) days following publication of City Council approval of this Lease; but not withstanding any other provision of this Lease, the obligations hereunder shall terminate and any unvested future interest created by this Lease shall be extinguished if the term of this Lease does not commence by January 1, 1990. The term of this Lease is, however, subject to earlier termination as hereinafter provided.

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In the event long term tax-exempt bond financing, pursuant to Sec. 21B hereof, is used for the construction of Lessee's Improvements hereunder, and the term of said financing is for a period less than the remaining Term of this Lease, then this Lease shall expire coincident with the expiration of the term of said financing.

Sec. 6. Rent and Rental Adjustment.

A. Category I Space and Facilities (pre 1984 facilities)

1. For the period commencing on the effective date of this Lease up to and including November 10, 1989. Lessee shall pay as annual rental for all Category I Space and Facilities the total of the square foot "Annual Capital Cost-Recovery Rate and Estimated M and O Rate" set forth on in Aviation Services Company

Report 35, as revised on November 11, 1981 and July 1, 1982 a copy of which Schedule is attached hereto and made a part hereof as Exhibit "J", making an annual rental for such demised premises of \$833.129.03 per year, plus an annual ground rental of \$ 00.424 per square foot for 26,062 square feet for that portion of the demised premises described in Section 3A (4), making an annual rental for such demised premises of \$11,050.28 per year, being a total annual rental for the entire demised Category I Space and Facilities of \$844,179.31 per year.

2. For the period commencing on November 11, 1989, Lessee shall pay as annual rental for all Category I Space and Facilities set forth in Section 3A above, a fair rental which shall be determined in accordance with the provisions of Section 6G below.

B. Category II Space and Facilities (wide body appendage)

1. For the period commencing on the effective date of this Lease up to and including November 10, 1989, Lessee shall pay as annual rental for all Category II Space and Facilities set forth in Section 3B (1) above, a ground rental of \$0.424 per square foot for 24,640 quare feet, making an annual rental for such demised premises of \$10,447.36 per year.

2. For the period commencing on November 11, 1989, Lessee shall pay as annual rental for all Category II Space and Facilities set forth in Section 3B (2) above, a fair rental which shall be determined in accordance with the provisions of Section 6G below.

C. Category III Space (ground areas)

1. For the period commencing on the effective date of this Lease up to and including November 10, 1989, Lessee shall pay as annual rental for all Category III space set forth in Section 3C above an annual ground rental of \$0.424 per square foot for 27,387 square feet, making an annual rental for the demised Category III space of \$11,612.08 per year.

2. For the period commencing on November 11, 1989, Lessee shall pay as annual rental for all Category III Space set forth in Section 3C above, a fair ground rental which shall be determined in accordance with the provisions of Section 6G below.

D. Category IV Space and Facilities (roof area)

1. For the period commencing with the effective date of this Lease up to and including November 10, 1989, Lessee shall pay as annual rental for all Category IV Space and Facilities set forth in Section 3D above a rental of \$0.52 per square foot, for 9,188

square feet, for an annual rental of \$4,777.56.

2. For the period commencing on November 11, 1989, Lessee shall pay as annual rental for all Category IV Space and Facilities set forth in Section 3D above, a fair rental which shall be determined in accordance with the provisions of Section 6G below.

E. Category V Airspace (public pedestrian overcrossing)

For the period commencing with the effective date of this Lease and for the term thereof, Lessee shall pay as annual rental for all Category V Space, the amount of One (1) Dollar per year.

The amounts specified above as rental do not include additional sums for maintenance and operation of the demised premises by City as provided for in this Lease.

F. Payment of Rental

The total annual rentals, as specified above, less the amount of the monthly rental credit due Lessee pursuant to Sec. 4B hereof, in the event City has not opted to pay said rental credit in one lump sum, shall be payable in equal monthly installments on or before the first day of each calendar month of the term hereof. In the event the

commencement or termination date of this Lease falls on any date other than the first day of the calendar month, the applicable rental for that month shall be calculated pro rata, according to the number of days during which Lessee had beneficial occupancy of the demised premises, or any portion of same, during said month. Said sum shall be paid by Lessee within twenty (20) days after receipt from City of a statement of monies due.

All payments hereunder shall be paid to the City of Los Angeles, Department of Airports, Post Office Box 92216, Los Angeles, California 90009, or to such other address as City may designate by written notice to Lessee.

G. Adjustment of Rental Rates

Lessee acknowledges that this Lease is made and entered into subject to the provisions of Section 238.9 of the Los Angeles City Charter. In accordance with the requirements of said Section, and pursuant to the policy of the Board, it is agreed that on November 11, 1989, and every five (5) years thereafter, the rental payable hereunder shall be adjusted to a fair rental value, based upon the then-current fair rental value of the demised premises, and in accordance with the terms of this Lease. In such event, any enhanced value of Lessee's Improvements, including, but not limited to, Lessee's baggage facilities, personal property and fixtures placed in or on the demised premises shall be excluded, regardless of the passage of title pursuant to

Sec. 12 hereof, and in the case of Category IV Space and Facilities, the adjusted rental shall additionally specifically exclude evaluation of structures and facilities added by Lessee in connection with the making of Lessee's Improvements, in accordance with the following procedures:

1. At least one-hundred and eighty (180) days prior to each of the adjustment dates specified above, the parties shall, by mutual agreement, adjust the annual rental for the demised premises thereafter payable by Lessee during the next successive 5-year period, commencing the first month of the new 5-year period, but in no event shall the amount of monthly rental be reduced below the original rental sum set for the initial period of this Lease.

2. If the parties are unable to voluntarily agree upon such adjusted rent before 180 days prior to each of said adjustment dates, then the monthly rent shall be determined as outlined below:

- a. An appraiser, who is a member of the American Institute of Real Estate Appraisers, shall be selected by each of the parties. Either Lessee or City shall, when notified in writing by the other party to do so, deliver to the other party, the name and address of such appraiser. The General Manager of the Department of Airports (hereinafter referred to as "General Manager")

shall immediately fix the time and place for a conference between the parties hereto and their appraisers. At such conference, the parties shall agree upon the general instructions to be given to said appraisers. These general instructions shall be consistent with the provisions of this Sec. 6G, but shall not, unless agreed to in writing by City and Lessee, place any limitations upon the appraisal techniques to be employed by the appraisers in evaluating the fair rent provided for hereunder, except that determination of the fair rental value shall specifically exclude evaluation of the Lessee's Improvements, including, but not limited to, Lessee's baggage facilities, personal property and fixtures placed in or on the demised premises, regardless of the passage of title pursuant to Sec. 12 hereof, and in the case of Category IV Space and Facilities, the adjusted rental shall, additionally, specifically exclude evaluation of structures and facilities added by Lessee in connection with the making of Lessee's Improvements, and, in no event, shall exceed the rental rate for Category I Space and Facilities.

b. Each of the two appraisers shall, not later than 90 days prior to the specific adjustment date involved, submit one copy of appraiser's appraisal in its entirety to Lessee and another copy of appraiser's

appraisal in its entirety to City. General Manager or his authorized representative shall, immediately upon receipt of copies of the two appraisals, by written notice, fix a time and place for a hearing and conference. Those to be in attendance at the hearing and conference shall include (1) Lessee's representatives, including representatives from Lessee's lender if applicable, (2) representatives of City, and (3) the two appraisers, and the parties shall endeavor to voluntarily reach agreement on the adjusted rent.

c. If the parties cannot so agree, the President of the Los Angeles Chapter of the American Institute of Real Estate Appraisers shall select a third appraiser. Said third appraiser will be allowed access to the two appraisers' reports, will prepare a third appraisal and shall submit one copy of same to Lessee and one to City.

d. If the representative of Lessee and the representative of City are still unable to reach agreement on the adjusted rent, then the three appraisal reports and any other relevant material shall be furnished to the Board and said parties shall have the right to make oral presentations to said Board during one of its meetings, the date for such presentations to be reasonably selected by General Manager. Board shall review all facts and evidence submitted to it and shall then

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prescribe the adjusted rental to apply throughout the respective adjustment period. Nothing herein shall prejudice the right of Lessee to contest, in a court of competent jurisdiction, such adjusted rental in the event said Board may have acted arbitrarily or unreasonably or if the rental rates set by the Board are other than fair.

e. Failure of either party or its appraiser to submit an appraisal report within the above-mentioned 90 day period can, at the election of the other party, preclude a later submission of an appraisal report by such party. If neither report is timely filed, then the parties can renegotiate the time periods for such submission.

f. Lessee and City shall each pay the fees and expenses of their respective appraisers and shall each pay one-half (1/2) of the fees and expenses of the third appraiser in the event a third appraiser is selected and used.

3. In the event such readjustment of rent is not completed prior to the commencement of the respective period involved, Lessee shall continue to pay rent as set in the preceding period, at the intervals and in the manner fixed for such preceding period, and if such rent is thereafter
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fixed or adjusted in a different amount, such new rental

shall take effect as of the time when it would otherwise have become effective, and Lessee shall immediately pay to City that sum which has accrued as a result of such retro-active application.

4. Notwithstanding the foregoing, in the event of Buyback, as that term is defined hereinafter in this Lease, Lessee's rental shall be computed in accordance with Section 39 of this Lease.

Sec. 7. Use of Demised Premises.

In the conduct of its air transportation business, and for purposes reasonably incidental thereto, Lessee shall have the right to use the demised premises as follows:

8.

A. Category I and II Space and Facilities

All of that area identified in this Lease as Category I and II Space and Facilities shall be used by Lessee for:

1. The construction by Lessee of those facilities and improvements more specifically set forth in Section 9A hereof. Generally, said facilities and improvements shall consist of remodeled Ticketing Building No. 4 and Satellite Building No. 4; and

2. Office space, personnel and crew training rooms and facilities, flight planning rooms, customer relations and waiting rooms, ticket counters, passenger processing

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areas, passenger and baggage handling facilities, employee lounges, storage rooms, passenger hold rooms, passenger club and lounge rooms; (including the service of alcoholic and non-alcoholic beverages) and the service of food in the manner and by the methods employed by Lessee in serving in-flight meals, installation and use of baggage conveying facilities, and the carrying on of other operations and activities necessary or incidental to the conduct by Lessee of its air transportation business. Notwithstanding the foregoing, it is understood and agreed that Lessee may serve said beverages and food only in its enclosed passenger club and lounge rooms, not to include Lessee's hold rooms.

B. Category III Space

All of that Ground Lease Area identified in this Lease as Category III Space shall be used by Lessee for:

1. The construction by Lessee of those facilities and improvements more specifically identified in Section 9 hereof, said facilities and improvements generally to consist of a connector between Ticketing Building No. 4 and Satellite Building No. 4.

2. Those purposes set forth in Paragraph A.2. above of this Section 7 upon completion of construction and installation of the contemplated facilities and improvements.

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C. Category IV Space and Facilities

All of that area identified in this Lease as Category IV Space and Facilities shall be used by Lessee for:

1. The construction by Lessee of those facilities and improvements more specifically identified in Section 9 hereof, said facilities and improvements generally, to consist of a second floor expansion and addition of Ticketing Building No. 4; and

2. Those purposes set forth in Paragraph A.2 of this Section 7 upon completion of construction and installation of the contemplated facilities and improvements.

D. Category V Airspace

That area identified in this Lease as Category V Airspace shall be used for the construction, use and maintenance of a public pedestrian overcrossing for pedestrian traffic between Ticketing Building 4 and Parking Structure 4.

Lessee shall not use the demised premises, nor any portion thereof, for any purpose other than that hereinabove set forth without first having had and obtained the written consent of the General Manager of the Department of Airports (hereinafter referred to as "General Manager").

G. Accommodation of Other Scheduled Air Carriers

1. To facilitate the entry of new air carriers and to maximize the utilization of facilities at the Airport, Lessee agrees, upon request by City, to permit other scheduled air carriers assigned by City to gate positions and loading ramps adjacent to Lessee's demised premises pursuant to Section 23 of this Agreement, to utilize Lessee's passenger holdroom(s) and jetway passenger loading bridge(s) adjacent thereto in connection with and for the time period(s) for which said gate position(s) and loading ramp(s) are being used by said scheduled air carrier(s) for passenger loading and unloading operations in conjunction with said carrier's scheduled operations upon execution of a written agreement setting forth terms and conditions mutually agreed upon by Lessee and said other scheduled air carrier(s) governing such use, which shall include a charge by Lessee for its pro rata direct costs plus a reasonable administrative charge. Lessee further agrees to make all reasonable efforts to facilitate any such scheduled air carrier(s)' utilization of such gate position(s) and loading ramp(s) including use of space for a ticket counter area, use of Lessee's baggage facilities and the rendering of customary ground services to said scheduled air carrier(s), upon its/their request, if (a) Lessee has adequate capabilities, capacity, facilities and personnel therefor, after taking into account Lessee's own

requirements and contractual obligations, the compatibility of said scheduled air carrier(s)' proposed operations with those of Lessee, and the need for labor harmony, and (b) said scheduled air carrier enters into a written agreement with Lessee therefor and agrees to pay Lessee its established rates and charges for such services.

2. Nothing contained in this Lease nor the rights conferred herein relative to common use areas and facilities shall prevent or prohibit the entering into of Inter-Airline agreements between Lessee and other scheduled air carriers authorized to operate into and out of the Airport; provided, however, that any agreements between Lessee and another scheduled air carrier providing for the joint use of any of the facilities in the demised premises leased to Lessee, or the joint use of the common use areas or facilities in the passenger terminal areas used by Lessee in connection with its occupation and use of the demised premises shall first be approved in writing by the General Manager and shall be subject to the conditions stated therein, which shall become binding upon the parties to such joint use agreement.

Sec. 8. Public Areas; Ingress, Egress and Purchase of Supplies.

A. Lessee shall have the right to use the common use and public areas and facilities of Airport and the right of ingress to and egress from Airport, the demised premises, gates, public areas for Lessee and its employees, contractors, agents, passengers, patrons, suppliers, invitees and visitors; provided such use, ingress and egress is for activities incidental to Lessee's air transportation business. City shall additionally provide Lessee, and Lessee shall have the right to use means of access for its aircraft between Lessee's demised premises and for the Airport's runways and taxiways. Notwithstanding the foregoing, City reserves the right to license, permit, regulate and locate concessionaires and other tenants at Airport, including, without limitation, booths, counters, offices, lockers, wall spaces and vending machines. City undertakes to so regulate, maintain and operate said public areas as in its reasonable discretion will best serve the interest of the public, the air travelers and the patrons and visitors at Airport.

B. Lessee shall have the right and privilege over the roads, ways and public areas of the Airport of ingress to and egress from the demised premises and the public facilities used in connection therewith for its agents, servants or employees and passengers, patrons,

invitees, its suppliers of materials and furnishers of services, and its equipment, vehicles, and machinery necessary or required for the performance of its air transportation business conducted in and about the passenger terminal facilities and buildings at Airport. Lessee shall, at all times, be free to select suppliers, purveyors and furnishers of materials, supplies, equipment and services of its own choosing. Nothing in this Section 8 shall be construed as in any way limiting the general powers of City to fully exercise its governmental functions. Nothing contained herein shall be deemed to be a grant of any franchise, license, permit or consent to Lessee to operate motor coaches, buses, taxicabs, or other vehicles, carrying persons or property for hire or considerations over the public streets of City, or the roads, ways or public areas of the Airport.

Sec. 9. Improvements and Alterations; Force Majeure:

A. Lessee's Improvements.

1. City hereby consents to the undertaking of, and Lessee, subject to the provisions of Paragraph C below, has undertaken, the construction of Lessee's Improvements at the Airport. The construction of Lessee's Improvements shall be pursued in a diligent manner, and shall be compatible with the second level roadway constructed by City. Subject to the provisions of Paragraph C below, Lessee shall use its best efforts

to complete the construction of Lessee's Improvements by January 15, 1985.

Lessee's Improvements shall be in accordance with the design plans and specifications prepared by Zigler, Kirven & Parrish, Architects and Engineers, which have heretofore been approved by the General Manager and drawings for which are incorporated by reference herein and made a part hereof. It is understood and agreed that said plans and specifications may be subject to modification, alteration and changes as Lessee may direct, provided that no structural changes may be made without the prior consent of General Manager, which consent will not be unreasonably withheld. It is understood and agreed that time is of the essence in this Lease and that Lessee's construction of Lessee's Improvements are a material condition to this Lease.

2. Lessee shall, at its expense and subject to the provisions of Sections 9.B. and 10 hereof, design, construct and install in the demised premises, all interior partitions, walls, electrical wiring, conduits, ducts, water pipes, heating, air-conditioning and ventilating ducts and outlets, fixtures and equipment, finish plastering, wall and floor covering, including

all special flooring, painting and decor, counters, cabinet work and equipment. Lessee shall have the right to install at its expense, in the Baggage Channel, such automatic baggage conveying equipment and facilities as it determines is necessary for the safe, fast and economical handling of the baggage of its passengers. Lessee shall also have the right to install, at its expense, in the conduits and ducts provided by either City or Lessee in the basic building structures, the wiring and other equipment necessary for a public address system, and the further right to construct and attach, at its expense, on the roof of said Satellite Building, weather recording equipment and communications antennae.

3. For the purpose of promoting and accommodating air commerce and air transportation, Lessee shall have the right, at its expense, to construct and attach to Satellite Building No. 4 and the Connector Building loading bridges, structures, and other equipment and facilities used for the purpose of the comfortable, convenient and expeditious loading and unloading of its aircraft passengers.

4. No loading bridge, structure or like facility shall (except in the instances where design plans and specifications therefor have heretofore been conceptually approved) be constructed, installed or attached to the Satellite or Connector Building without the consent and prior approval of the design plans and specifications therefor by the General Manager, and then only subject to the following conditions, to wit:

(a) The construction and installation thereof shall be done and performed in strict compliance with the applicable provisions of Section 10 hereof;

(b) Title to all loading bridges, structures and like facilities shall remain in the Lessee, subject to the provisions of Sec. 12 of this Lease;

(c) Subject to the approval of the General Manager, Lessee may remove, change, replace or install other or later developments of loading bridges, structures and like facilities and equipment as the usage and practices of Lessee require. Such approval shall not be unreasonably withheld when it is shown and demonstrated to the satisfaction of the General Manager that such

change will be safe and adequate for the intended use,

(d) All loading bridges and equipment, other than RAIC Facilities, are hereby deemed to be fixtures and shall be removed by Lessee, at its expense, upon the cancellation or termination of this Lease; provided, however, that such bridges and equipment may be sold by Lessee to subsequent lessees of City and remain in place or, if the consent of City is obtained therefor, may remain in place and become the property of City. All damage occasioned to the Satellite and Connector Buildings or other property of City by the removal of the loading bridges and equipment shall be repaired and restored to good condition at the sole cost and expense of Lessee removing the same.

B. Force Majeure:

Notwithstanding the provisions of Paragraph A of this Section 9, it is understood and agreed that Lessee shall not be liable for any failure to perform or for any delays in performance of its obligation set forth in Paragraph A above due to acts of God or the public enemy, civil war, insurrection, riots, floods, explosions, fires, earthquakes, governmental (Federal, State, Local, except the Department of Airports, or

agencies thereof priorities, allocations, directives, regulations or orders, orders and injunctions issued by courts of appropriate jurisdiction affecting materials, facilities, personnel or Lessee's rights or ability to perform, failure of transportation, strikes or labor disputes, or any other cause beyond Lessee's control.

Sec. 10. Conditions Governing Improvements and Alterations.

A. Except as provided in Section 9A. of this Lease, no improvements, structures, alterations, or additions, other than those heretofore approved by the General Manager, shall be made in, to or upon the demised premises by Lessee, without the written consent of the General Manager being first had and obtained, and all such improvements, structures, alterations, additions and work shall be in accordance with any reasonable conditions relating thereto then stated in writing by the General Manager.

B. Subsequent to the approval by General Manager of Lessee's preliminary plans, Lessee has prepared working drawings and specifications which shall be true and correct developments of the preliminary plans so approved and has caused the construction called for by said working drawings and specifications to be commenced and proceed toward completion with reasonable dispatch. No substantial change, addition or alteration shall be made in said working

drawings or specifications or in the construction called for thereby without first obtaining General Manager's approval in writing, which shall not be unreasonably withheld. Upon completion of said improvements, Lessee shall furnish to City, at no charge, two (2) complete sets of as-built drawings of the improvements so constructed, and City and Lessee shall make a written list of all improvements, including the cost thereof, constructed on the demised premises by Lessee.

C. All improvements constructed by Lessee on the demised premises, including the plans and specifications therefor, shall conform in all respects to the applicable statutes, ordinances, building codes, rules and regulations of City and such other governmental authority as may have jurisdiction. General Manager's approval, to be given as provided in paragraph A. of this Section 10, shall not constitute a representation or warranty as to such conformity which shall remain Lessee's responsibility. Lessee, at its own cost and expense, shall procure all permits necessary for such construction and prior to commencement of any such construction, shall first submit to City documentation evidencing the fact that Lessee maintains workers' compensation and employers liability coverage, or adequate self-insurance in lieu thereof, in the amounts and form required by the workers' Compensation Act and insurance laws of the State of California. If applicable, such documentation shall

contain the applicable policy number, the inclusive dates for same and the insurance carrier's name, shall bear an original signature of an authorized representative of said carrier and, pursuant to Section 11.54 of City's Administrative Code, shall also provide thereon that the insurance shall not be subject to cancellation, reduction in coverage or non-renewal 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. Lessee shall require in any construction contract for said improvements that its contractor comply with all applicable statutes, ordinances, codes, rules and regulations and, if requested so to do by General Manager, shall also require that its contractor submit to City evidence of required insurance coverage and comply with the provisions of Sections 3235 to 3241 of the Civil Code of the State of California by filing the original contract and any modifications thereto in the Office of the Los Angeles County Recorder and by securing, and recording in said Office, the payment bond specified in said Sections. A conformed copy of such bond, recorded as aforesaid, shall be furnished to City. In the event Lessee intends to self-insure for the required workers' compensation and employers liability coverage, Lessee shall first submit to City a copy of its certificate of authority from the State of California to self-insure with respect to said coverage.

D. All construction by Lessee pursuant to this Section 10 shall be at Lessee's sole cost and expense and Lessee shall keep the premises free and clear of liens for labor and material, provided that Lessee may in good faith contest the validity of any lien. Lessee shall hold City harmless from liability with respect to any such construction, unless such liability arises out of City's or its employee's sole negligence or willful misconduct.

E. Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations regarding the structures now planned for, or those to be constructed in the future on, the demised premises, and in the event of any planned modification or alteration of any present or future building or structure situated on the demised premises.

F. Lessee, by accepting this Lease, expressly agrees for itself, its successors and assigns that it will not erect nor permit the erection of any structure or object nor permit the growth of any tree on the land leased hereunder above a mean sea level elevation of 166 feet AMSL. In the event the aforesaid covenants are breached, City reserves the right to enter upon the land leased hereunder and to remove the offending structure or object and cut the offending tree, all of which shall be at the expense of Lessee.

Sec. 11. City's Right to Purchase Demised Premises

A. City may, at any time, to the extent permitted by law, purchase from Lessee all of Lessee's interest in and possession of the premises described in Section 3 of the Lease ("demised premises"), except for Lessee's option to continue or renew the Lease with respect to the demised premises, as provided for in Section 39 hereof, by paying off or retiring or making provision for the payment of, the then-outstanding balance on indebtedness (principal, less applicable outstanding sinking fund balances established for retirement of outstanding obligations, plus costs of financing, including accrued interest and any and all premiums and other costs of retirement or redemption of financing) incurred by Lessee under the hereinafter defined Nonprofit Financing Program including any such indebtedness held by or in the name of any lender or institution providing a credit enhancement facility in respect of such indebtedness. Such purchase of Lessee's interest in and possession of the demised premises is hereinafter referred to as City's "Buyback" right.

B. City shall exercise its Buyback right hereunder, if at all, by giving written notice of such proposed action to Lessee (and shall, in any notice, also advise Lessee whether City intends to utilize the demised premises in a manner that does not constitute an Airport Terminal Use, as defined in Section 2 of this Lease). Upon receipt of such notice, subject however to the provisions of

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Section 39 hereof, Lessee shall have 90 days to vacate the demised premises.

If City exercises its right of buyback in accordance with this Section, and utilizes the demised premises in a manner that does not constitute an Airport Terminal Use, the Lease shall terminate (except for Lessee's right to exercise the option to renew the Lease provided for in Section 39). If City utilizes, or intends to utilize, the demised premises in a manner that does constitute an Airport Terminal Use, then Lessee shall have the right to exercise the option to continue the Lease, provided for in Section 39. If Lessee does not exercise its option right to continue the Lease as provided under Section 39, the Lease shall terminate and City may thereafter utilize the demised premises for any purpose selected by the City in its complete discretion.

Sec. 12. Title to Improvements.

A. Title to all improvements, additions or alterations, if any, constructed or installed by City and at its expense upon the demised premises before or after the commencement of the term herein, with the consent of Lessee, shall remain in City.

B. Except as provided in Paragraphs C and D of this Section 12, title to all RAIC facilities shall immediately, upon beneficial occupancy of the demised premises by Lessee,

vest in City, subject to any then-existing financial security interests, or other encumbrances created, incurred or resulting from the financing by Lessee of Lessee's Improvements, and Lessee's leasehold interest therein. Lessee's Improvements, may be altered and/or repaired subject to the provisions of Sections 9 and 16 herein.

Nothing herein in this Section 12 shall impose any affirmative obligation on City for payment of any indebtedness incurred by Lessee.

C. Lessee's machines, equipment, furniture, trade fixtures and similar installations, of the type commonly installed in and removed from other similar facilities and related improvements by tenants, other than RAIC Facilities, which are installed by Lessee in or on the demised premises shall not be deemed to be part of the realty, even though they are attached to the floor, wall or roof of the facility, or to outside pavements, so long as they can be removed without structural damage to said improvements, and provided that if such removal, at Lessee's option, of any such installation results in nonstructural damage to any part of the facility, pavements or premises, Lessee shall repair such damage and restore said damaged part of said facility, pavements or premises to as good a condition as the same was in at the commencement of this Lease, or upon the completion of construction and/or installation, reasonable wear and tear and damage by fire or other casualty to the

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extent provided in Sec. 16, excepted.

D. It is understood and agreed that title to the structural improvements described as Category II Space and Facilities in Section 3B hereof, which is currently in Lessee, shall vest in City on November 11, 1989. However, machines, equipment, trade fixtures and similar installations, of the type commonly installed in and removed from other similar facilities and related improvements by tenants, which have been installed by Lessee in or on said Category II Space and Facilities, other than RAIC Facilities, shall not be deemed to be part of the realty, even though they are attached to the floor, wall or roof of the facility or to outside pavements, in accordance with the terms of Sections 10.C., 10.D. and 12.C. of this Lease.

Sec. 13. Maintenance and Repair by City.

A. Subject to reimbursement therefor, as hereinafter provided in Section 14, City shall, at its expense, operate and maintain in good condition and repair, and keep in a neat, clean, sanitary and slightly condition, the terminal area, and the buildings, premises and facilities wherein the demised premises are located, including but not limited to all additions, improvements and facilities hereafter provided by City or by Lessee in said terminal area, and those City Areas designated pursuant to Section 4 of this Lease, all in keeping and consistent with first-class passenger terminal facilities of the major international

airports throughout the United States.

B. In addition to the above, City shall perform all maintenance of all structural elements of the buildings and structures in which the demised premises are located, including all electrical, up to Lessee's meter(s) only, and plumbing installations constituting a part thereof, all maintenance of partitions constructed by City and structural walls and partitions constructed by Lessee and all maintenance work and services in all areas of Ticketing Building No. 4 and Satellite Building No. 4, and the Connector Buildings. Such maintenance and repair work shall include, but not be limited to, the painting and decorating of wall and ceiling surfaces, the providing of adequate lighting, heating, ventilation, air conditioning, electrical systems and plumbing, the replacement of light bulbs and fluorescent tubes and the furnishing of janitorial services but shall not include that work to be provided by Lessee under Section 15 of this Lease.

C. City shall, at its expense, furnish all heating, ventilation and air conditioning and any other utilities which are not metered and directly chargeable to Lessee by the utility company furnishing such services, and maintain and operate in good repair and working order such heating, ventilation and air conditioning and other utilities systems in the demised premises.

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D. City shall, at its expense, maintain all utilities systems in the demised premises in good condition and repair up to the point of installation of Lessee's meters for such service; provided, however, that such maintenance work shall not include the maintenance or repair of drinking fountains, toilets, plumbing, refrigerators or other items installed by Lessee in the demised premises.

E. City shall, at its expense, maintain in an attractive, sightly and good condition of repair all signs installed by it, both, in the City Areas inside, and outside the buildings in which the demised premises are located.

Sec. 14. Reimbursement for Maintenance and Operations.

Lessee, as a material part of the consideration for the services rendered by City under this Lease, hereby agrees to reimburse City for its costs incurred in maintaining, repairing, and operating the areas specified in Sections 13 and 15 of this Lease, including an applicable proportion of the costs of systems facilities and general overhead; provided, however, that except for heat and air conditioning furnished by City, Airline shall pay its apportioned costs for public utility services used by it where such service is not metered and all its costs for such service where same is metered to its demised premise; and, provided, further, that where repairs are made by City which are covered by insurance proceeds and the premiums for such insurance have been included in City's costs for maintenance and operation as

herein provided, then the costs of such repairs shall be excluded from the maintenance and operations costs chargeable to Lessee. Through and including November 10, 1989, City's said costs for maintenance and operations shall be allocated to the demised premises in accordance with standard and accepted accounting practices on the basis of the square foot "M & O Service Charge" as may be revised from time to time, and attached hereto as Exhibit "J". Commencing November 11, 1989, the maintenance and operation cost will be determined, using standard and accepted practices, by mutual agreement of the parties.

In addition to the foregoing costs of maintenance and repair, Lessee shall pay City for its direct costs expended for repairing all damage occasioned by the carelessness or negligence of Lessee.

Sec. 15. Maintenance by Lessee. Lessee, at its sole cost and expense, shall maintain, as distinguished from the obligations for reconstruction as provided in Section 16 hereof, the demised premises, excluding City Areas, in good condition and repair and in a neat, clean, sanitary and sightly condition, all in keeping with first-class passenger terminal facilities of the major international airports throughout the United States. Such maintenance and repair work shall include, but not be limited to, Lessee's maintenance in good condition and repair of all counters, baggage handling devices, loading bridges, toilets,

carpeting, drinking fountains, interior partitions, equipment, facilities, electrical wiring, fixtures, utilities (other than heating, ventilation and air-conditioning and any other utilities not separately metered to Lessee), painting and decorations made or installed by Lessee therein, and shall furnish janitorial service and replace all light bulbs and fluorescent tubes in said demised premises, excluding City Areas. Lessee shall be responsible for the maintenance and repair of all carpeting in all parts of the demised premises, including all public areas in Ticketing and Satellite Buildings 4, and the Connector Buildings, Lessee's obligations, however, shall not extend to City Areas, roof repairs or maintenance, structural repairs or maintenance, exterior window cleaning, or joint sealing on airport loading ramps, which responsibility shall be City's.

Sec. 16. Damage and Destruction.

A. Category I, III and IV Space and Facilities;
Category II Space and Facilities after
November 10, 1989 and City Areas.

In the event of the partial or total destruction, from any cause, of any of the buildings or structures or improvements (except for personal property installed by Lessee) of which the following portion of the demised premises are a part:

1. Category I, III and IV Space and Facilities, if partial or total destruction should occur at any time during the term of this Lease; and

2. Category II Space and Facilities, if partial or total destruction should occur after November 10, 1989;

or in the event of partial or total destruction, from any cause, during the term of this Lease, of any of the City Areas, City shall forthwith repair, replace or reconstruct the same, but such destruction shall in no way annul or void this Lease, except that Lessee shall be entitled to a proportionate abatement of rent and the charges for maintenance and operation, set forth in Section 14 of this Lease, while such repairs or reconstruction are being made, such proportionate abatement to be based upon the extent to which the destruction and the making of such repairs, replacements, or reconstruction shall interfere with the business carried on by Lessee in the portion of the demised premises described above in this Section 16A, or in portions of the demised premises adjacent to City Areas, in the building, structure or improvement being repaired or reconstructed. City shall provide Fire and Extended Coverage insurance, including vandalism, malicious mischief, and debris removal, in a form at least as broad as the Standard Insurance Services Office special extended coverage endorsement, covering City's obligations hereunder and under Section 17 of this Lease, in an amount equal to the full replacement value of such buildings, structures

and improvements with a loss payable endorsement in favor of the parties and Corporation as their respective interests may appear. Subject to Section 17(c), in the event City cannot make such repairs, replacements or reconstruction within a reasonable time because such repairs, replacements or reconstruction cannot be made under the laws, ordinances, statutes or regulations governing the same, all such insurance proceeds shall be used to discharge indebtedness incurred in the making of Lessee's Improvements, and this Lease may be terminated at the option of Lessee without prejudice to any other rights it may have under the law. In respect to any destruction which City is obligated to repair or reconstruct under the terms of this Section 16, the provisions of Section 1932, subdivision 2 and of Section 1933, subdivision 4, of the Civil Code of the State of California are waived by, ^{8.} Lessee. Notwithstanding the foregoing provision of this Section 16, Lessee shall not have the right of termination if City proceeds diligently with such repair, replacement or reconstruction and makes available to Lessee temporary substitute space acceptable to Lessee and if proper adjustment of rent and maintenance and operations charges is made which reflects the difference in value of the substituted space.

In the event of damage or destruction of Lessee's improvements in and to the demised premises specified in this Section 16A for which Lessee is required to carry

insurance as provided in Section 17 hereof, Lessee shall repair, rebuild and reconstruct such improvements to the extent of the insurance proceeds payable under such policies.

B. Category II Space and Facilities Prior to November 11, 1989

1. City shall be under no obligation to repair, replace or rebuild any building or other improvements on the portion of the demised premises described in Section 16B 2 below (except for any City Areas designated by City pursuant to Section 4 hereof) should they be damaged or destroyed by fire or other casualty.

2. If, Lessee's buildings, structures and improvements in or on Category II Space and Facilities are partially or totally destroyed prior to November 10, 1989 from a risk covered by the insurance described in Section 17 herein, rendering said premises partially or totally inaccessible or unusable, Lessee shall only be required to restore the premises to substantially the same condition as they were in immediately before destruction. Such destruction shall not terminate this Lease but Lessee's rent and maintenance and operation charges shall be proportionately abated.

C. Claims Where Loss is Insured

Notwithstanding the provisions of this or any other Section of this Lease, in any event of loss or damage to the demised premises and/or contents, each party shall look first to any insurance in its favor before making any claims against the other party; and to the extent possible without additional cost, each party shall obtain, for each policy of such insurance, provisions permitting waiver of any claim against the other party for loss or damage within the scope of insurance, and each party, to such extent permitted, for itself and/or its insurers, waives all such insured claims against the other party. Each party shall notify the other party in writing in the event it is unable to obtain this waiver.

Sec. 17. Insurance.

A. Lessee shall procure at its expense, and keep in effect at all times during the term of this Lease, the following types of insurance: (1) Comprehensive Airline Liability Insurance covering all third party liability, including Premises and Operations, Personal Injury, Aircraft Liability, including passengers, and Contractual Liability, to the extent of the liability assumed by the Lessee under the Hold Harmless provision of this Lease, in an amount not less than forty million dollars (\$40,000,000) combined single limit for each occurrence for bodily injury, personal injury, death or property damage; (2) Comprehensive Automobile

Liability insurance covering owned, non-owned and hired vehicles, if Lessee's operations require the use of licensed vehicles on Airport, in an amount not less than four million dollars (\$4,000,000) combined single limit for each occurrence for bodily injury, death or property damage. In addition, Lessee shall also maintain workers' Compensation and Employers Liability insurance in the amounts and form required by the Workers' Compensation Act and insurance laws of the State of California. In lieu of the foregoing policies of workers' Compensation insurance, Lessee may, at its election, adequately self-insure against any or all of such risks to the extent permitted by and in accordance with the Workers' Compensation Act. In the event Lessee intends to self-insure for the required workers' compensation and employers liability coverage, Lessee shall first submit to City a copy of its certificate of authority from the State of California to self-insure with respect to said coverage.

B. Lessee must also provide Fire and Extended Coverage insurance, including vandalism, malicious mischief and debris removal, in a form at least as broad as the standard Insurance Services Office special extended coverage endorsement, covering all of Lessee's Improvements on the demised premises, title to which has not vested in City pursuant to Section 12 of this Lease, and all personal property installed by Lessee. Subject to General Manager's approval of reasonable deductible or self retention levels, such insurance shall

be in an amount equal to the full replacement value of all such Improvements and personal property with the policy containing a loss payable endorsement in favor of the parties hereto as their respective interests may appear. In no event shall Lessee be obligated to provide the above coverage for City Areas or those areas in which the City has assumed the responsibility of repairing, replacing, or rebuilding in Section 16.A of this Lease. Additionally, in the event of Buyback under Section 11 of this Lease, Lessee's obligation to provide Fire and Extended Coverage for any of Lessee's Improvements covered by said Buyback shall cease.

C. Until payment or redemption, or provision therefor, of all Corporation bonds issued in connection with the making of Lessee's Improvements, all proceeds of insurance (whether such insurance was maintained or provided by Lessee under Section 17A above or provided by City under Section 16A of this Lease) with respect to loss or damage to any facility financed through Corporation shall be paid to the Trustee under the applicable Indenture or Indentures then in effect (except that proceeds for any one loss not exceeding \$50,000 need not be paid to such Trustee but may be paid to the respective party maintaining or providing the policy(ies) of insurance from which such proceeds have materialized and applied by it to the repair, rebuilding or replacement of the property destroyed or damaged). Upon payment thereof to such Trustee, if the facility is to be repaired or rebuilt

as provided in Section 16, herein, such Trustee shall deposit the proceeds in the construction fund established under such Indenture for application as provided therein with respect to moneys in such fund. If the facility is not to be repaired, replaced or rebuilt, the Trustee shall, to the extent possible, use such proceeds to call and redeem bonds outstanding under such Indenture prior to maturity and for such purpose said proceeds shall be deposited in the bond redemption fund established under such Indenture. Upon payment or redemption or provision therefor of all bonds (including all bonds held by or in the name of any lender or institution providing a credit enhancement facility for such bonds), any remaining insurance proceeds shall be distributed to City.

D. In the event of loss or damage to any RAIC Facility wherein the insurance recovery is reduced as a result of the application of a deductible, average or distribution clause in excess of \$50,000, or the insolvency of the insurer, the respective party providing the policy(ies) shall deposit with the Trustee under the Indenture or, if more than one Indenture is in effect at the time, with the Trustee under the earliest dated Indenture, or Corporation (as provided herein) within thirty (30) days after determination of the amount of reduction in insurance proceeds, an amount equal to such reduction. The amounts so deposited with such Trustee or Corporation will be considered the same as

proceeds of insurance and subject to distribution as provided herein. Upon payment or redemption or provision therefor of all Corporation's Bonds issued in connection with the financing or refinancing of all or any portion of Lessee's improvements, the provisions of this Section 17D shall not apply to City and, in lieu of Lessee's obligation to deposit funds with Trustee or Corporation, Lessee shall remain obligated to deposit said funds with City.

E. All policies issued by the respective insurers against loss or damage to any improvement herein shall provide that all losses shall, subject to approval by Corporation, if applicable, be adjusted with Lessee and City, and shall be payable to Lessee, Corporation, Trustee, any provider of any credit enhancement facility, or City as their respective interests may appear.

F. Except as evidence of Workers' Compensation and Employers Liability coverage and as evidence of Fire and Extended Coverage, in which cases certificates of insurance will be acceptable, the liability coverages specified herein must be reflected on City's Special Endorsement in a form identical to that which is attached hereto as Exhibit S, or endorsement on such other form as City may hereafter designate, subject to Lessee's concurrence. All insurance documents, however, shall be filed with City immediately upon commencement of this Lease, shall contain the applicable policy number, the incidence of loss for same and the insurance

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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 non-renewal without written notice by certified mail, return receipt requested, to the City Attorney of the City of Los Angeles and to each Trustee under any Indenture then in effect at least thirty (30) days prior to the effective date thereof.

G. The liability insurance specified herein shall, either by provisions in the policies, by City's Special Endorsement thereto or by other endorsements attached to such policies, insure City against the risks described above to the extent of the contractual obligation accepted by Lessee in Section 18 of this Lease and, accordingly, where applicable, except for Workers' Compensation and Employers Liability coverage and Fire and Extended Coverage insurance, shall include City, its Department of Airports and all of its officers, employees and agents, as insureds, shall contain the Severability of Interest Clause and Contractual Endorsement set forth below and shall be primary and noncontributing with any other insurance held by City's Department of Airports. City shall have no liability for any premiums charged for such coverage, and the inclusion of City and Department as insureds is not intended to, and shall not, make City or Department a partner or joint venturer

with Lessee in Lessee's operations at Airport. In the event financing of any of the improvements specified herein is instituted through Corporation, such insurance shall also insure Corporation against the risks to which it is exposed by virtue of its financing arrangements with Lessee and shall include Corporation, its directors, members, officers and employees, as insureds. Such policies may provide for reasonable deductibles and/or retentions based upon the nature of Lessee's operations and the type insurance involved.

Severability of Interest Clause

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.

Contractual Endorsement

Such insurance as is afforded by this policy shall also apply to liability assumed by the insured under section 18 of this Lease with the City.

H. In advance of the expiration date of any of the above policies, documentation showing that the insurance coverage has been renewed or extended shall be filed with City. If such coverage is cancelled or reduced, Lessee

shall, within fifteen (15) days after receipt of written notice from City of such cancellation or reduction of coverage, file with City evidence that the required insurance has been reinstated or provided through another insurance company or companies.

Sec. 18. Indemnification.

A. City Held Harmless

Except as provided in Paragraph B below, Lessee shall defend and keep and hold City, including Board, and City's officers, agents, servants and employees, harmless from any and all costs, liability, damage or expense (including costs of suit and reasonable fees and expenses of legal services) claimed by anyone by reason of injury to or death of persons, or damage to or destruction of property, including property of Lessee, sustained in or on the demised premises or other jointly used Airport areas, arising out of Lessee's use or occupancy thereof and as a proximate result of the negligent acts or omissions of Lessee, its agents, servants or employees.

B. City Areas

City shall keep and hold Lessee and Corporation, their directors, officers, agents, servants and employees harmless from any and all costs, liability, damage or expense (including costs of suit and reasonable fees and expenses of legal services) claimed by anyone by reason of injury to or death of persons, or damage to or destruction of property,

including property of Lessee and Corporation, arising out of City's use or occupancy (including but not limited to City's letting or permitting the use) of City Areas and as a proximate result of the negligent acts or omissions of City, its Board, officers, agents, servants or employees.

Sec. 19. Assignments and Subleases. Except as provided in this Section 19 and in Section 21 hereof, Lessee shall not mortgage, pledge or otherwise encumber or assign the leasehold estate herein created without the prior written consent of Board, nor shall Lessee sublet or sublease the demised premises, nor license or permit the use of same, in whole or in part, without the prior written consent of General Manager. Consent to one assignment, subletting, use or occupation shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use. Any attempted assignment, mortgaging or encumbering of the leasehold estate, or any subletting or subleasing of the whole or any part of the demised premises, except as provided above, or other violations of the provisions of this Section 19, whether voluntary or involuntary, shall be voidable at the option of City.

City shall not unreasonably withhold its consent to the assignment of this Lease or to the subletting of the demised premises or any portion thereof, at any time prior to notice of termination or cancellation of this Lease; provided, however,

that the use of said premises by any such assignee or sublessee must be consistent with the use authorized herein. A request by Lessee for assignment or subletting shall be submitted to City in writing and shall include the name and legal composition of the proposed assignee or sublessee, the nature of the proposed assignee's or sublessee's business to be conducted on the premises, the terms and provisions of the proposed assignment or sublease and such reasonable financial information as City may request concerning the proposed assignee or sublessee.

The foregoing shall not prevent the assignment by Lessee of this Lease to any corporation with which Lessee may merge or consolidate, or which may succeed to the business of Lessee.

If Lessee diligently pursues the correction of any condition or the cure of any default, as required by Section 20 hereof, Lessee's right to assign or sublease the leasehold estate herein created shall not be abridged simply by the fact that a written notice to correct such condition or cure such default has been issued to Lessee by City.

In case of the bankruptcy of Lessee, or the appointment of a receiver for Lessee, or if a receiver is appointed to take possession of the demised premises as a result of any act or omission of Lessee or if Lessee makes an assignment of this Lease for the benefit of creditors, or if possession of the

demised premises is taken by virtue of any attachment, execution or the levy of any judicial process, and such appointment or taking is not discharged or terminated within sixty (60) days, City, at its election, may, without notice, terminate this Lease and enter upon said demised premises and remove all persons therefrom, subject to any rights of Corporation in this Lease.

Sec. 20. Defaults, Right to Terminate and Right of Re-entry by City.

A. If either party fails to perform, keep or observe any of the terms, covenants or conditions herein contained on its part to be performed, kept or observed, the other party may give written notice to correct such condition or cure such default.

In the event the condition or default is by City, or results from a breach of Lessee's covenant and obligation to pay rental and maintenance and operations costs under this Lease, any default with respect to any provision of Section 9 of this Lease, or the violation of any building and safety statute, ordinance, rule or regulation, and such condition or default continues for thirty (30) days after receipt of such notice, the party not in default may give notice of its election to terminate this Lease and twenty (20) days after receipt of such notice, this Lease shall cease and terminate. Such election to terminate by either party shall not be construed as a waiver of any claim it may have against the other party, consistent with such

termination.

In the event the condition or default is by Lessee, for a reason other than those specified above, and such condition or default continues for one (1) year after receipt of such notice, City may give notice of its election to terminate this Lease and twenty (20) days after receipt of such notice, this Lease shall cease and terminate. Such election to terminate by City shall not be construed as a waiver of any claim it may have against Lessee, consistent with such termination.

Following receipt of the written notice to correct any condition or cure any default, described above, the party receiving said notice shall immediately commence to correct such condition or cure such default and shall diligently continue to do so during the respective thirty (30) day and one (1) year periods specified above, as the case may be.

If, however, any default is of such nature that it cannot physically be corrected within the respective thirty (30) day and one (1) year periods specified above, as the case may be, and if the party in default, or in the case of a default by Lessee, Lessee or its assignee under either Section 19 or 21 of this Lease, has commenced to remedy such default promptly after the receipt of such

notice, and shall continuously and diligently proceed in good faith to eliminate such default, then the period for correction shall be extended for such length of time as is reasonably necessary to complete the same.

It is understood that, if any such default is caused by action or inaction on the part of a sublessee or Lessee, then Lessee shall be deemed to be diligently proceeding in good faith to eliminate such default if either (a) such sublessee, or Lessee on behalf of such sublessee, is proceeding in good faith to eliminate such default or (b) Lessee is proceeding with due diligence to terminate the sublease to such sublessee and/or to remove such sublessee from the demised premises.

This provision, however, shall not affect any rights of City should there be any default in the payment of rent by Lessee; and if there is such default, City may give Lessee a thirty (30) day written notice to pay all sums then due, owing and unpaid, provided that such notice is not given until at least twenty (20) days after said payments are overdue. If such payments are not made within thirty (30) days after receipt of said notice, City may enter upon and take exclusive possession of the same, with or without cancellation of this Lease, and relet the demised premises or any part thereof for a lawful

period of time for the account of Lessee herein. Notwithstanding any such reentry, the monthly rental shall become due and payable to the City to the same extent, at the same time and in the same manner as if no reentry had taken place and City may maintain an action each month to recover any monies then due or, at its option, may sue to recover the full deficiency of all accrued rentals after taking into consideration rental receipts from such reletting.

4. In the event Lessee is prevented from occupying or using the demised premises, or is prevented or materially restricted from operating aircraft to or from the Airport, by any final action, order or ruling of any governmental authority, federal, state or municipal, then Lessee may, at its option, terminate this Lease by written notice to City, and said Lease shall be and become cancelled and terminated thirty (30) days after the receipt by City of such notice. In the event of termination of this Lease by Lessee as a result of the occurrence of any of the events specified in paragraph 4 of this Section 20, City shall not be liable to Lessee for any damages claimed by Lessee as a result thereof, and Lessee shall be relieved of all of its obligations to City under the terms of this Lease, commencing as of the termination date of this Lease.

C. In the event of termination of this Lease by Lessee as a result of City's default, the damages recoverable by Lessee shall be limited to those recoverable under the laws of the State of California.

D. In the event of termination or cancellation of this Lease, for any reason, at anytime prior to the expiration of its full Term, City shall make every reasonable effort to relet the demised premises, or any part thereof, on substantially the same terms and conditions as this Lease (except for term) and at a rental rate at least equal to the rental rate for comparable facilities at the Airport at the time of such letting. The revenues therefrom shall be applied to mitigate or reduce the damages claimed by either party against the other. In addition to the foregoing obligations of City, in the event of termination or cancellation of this Lease by City for Lessee's default, prior to expiration of its full Term, City shall apply an amount equal to the unamortized balance of the completed Project Costs, calculated on a straight-line basis over the period commencing with the date of beneficial occupancy of the last of the demised premises to be completed and ending with the expiration of the full Term of this Lease (had the Lease not been cancelled or terminated) to Lessee's account to mitigate or reduce the damages, if any, claimed by City.

against Lessee.

In the event Lessee has financed any or all of Lessee's Improvements through Corporation, City shall promptly serve upon Corporation and any lender or institution providing a credit enhancement facility as contemplated in Section 21b hereof a written notice advising Corporation and such lender or institution of such termination or cancellation by City for Lessee's default. If a credit enhancement facility contemplated by Section 21b hereof is in effect or if Lessee has not performed all of its obligations under any reimbursement agreement related to such credit enhancement facility, the City will grant to that lender or institution providing such credit enhancement facility an option to enter into a new Terminal Facilities Lease for the devised premises, upon the same terms and conditions as this Lease, for the remaining Term and at the same rental or rentals as set forth in this Lease. Such option shall extend for a period of ninety (90) days beginning on the date of the aforesaid notice. If the credit enhancement facility is no longer in effect and Lessee has performed all of its obligations under any reimbursement agreement related thereto or if such lender or institution does not exercise its option to enter into a new Terminal Facilities Lease, City will grant to the Corporation, for a period of ninety (90) days beginning on the date of the notice or on the ninety-first (91st) day following the

date of the notice, respectively, an option to enter into a new Terminal Facilities Lease for the demised premises, on the same terms and conditions as in this Lease, for the remaining Term and at the same rental or rentals as set forth in this Lease. In the event neither such lender or institution, nor Corporation enter into such Terminal Facilities Lease within the option periods provided for herein, City shall then make every reasonable effort to relet the demised premises, or any part thereof, on substantially the same terms and conditions as this Lease (except for term) at a rental rate for comparable facilities at the Airport at the time of such letting. The revenues therefrom shall be applied to mitigate or reduce the damages claimed by City against Lessee.

E. Except as provided in Section 20D above, City shall not be under any obligation to mail, deliver or serve any notice under this Section 20 to or upon any person other than Lessee; provided, however, that Lessee may elect to have any notice provided for in this Section 20 mailed or delivered to any lender or institution providing any credit enhancement facility or business entity as defined in Section 21 hereof. Such election on the part of Lessee shall become effective upon the delivery by Lessee of a notice in writing to General Manager stating that Lessee has elected to have the notice provided for in this Section 20 mailed or delivered

to such lender or institution under the name and at the address therein stated.

Sec. 21. Mortgages, Financing and Other Encumbrances.

A. Lessee shall have the right to assign this Lease and/or to encumber the leasehold estate hereby created by mortgage, pledge, deed of trust or other instrument with, or transfer title during the term hereof to, Lessee's Improvements on the demised premises to, a reputable lender or lending institution providing any credit enhancement facility, subject to the prior consent of the Board, which consent shall not unreasonably be withheld, for the purpose of financing on an interim basis or refinancing on a long term basis Lessee's Improvements, including any betterments or additions thereto, and Lessee may execute any and all instruments in connection therewith necessary and proper to complete such financing, pledge, or transfer and perfect the security thereof. In the event this Lease is so assigned, the leasehold estate hereby created is so encumbered or title to the improvements is transferred, except as otherwise provided in this Lease, City shall not be bound, nor shall the terms, conditions and covenants of this Lease nor the rights and remedies of City hereunder be in be in any manner limited, restricted, modified or affected, by reason of the terms or provisions of the instruments or notes in connection therewith.

The only rights of any such encumbrancer shall be as follows:

1. The lender or institution providing any credit enhancement facility shall not be entitled to any notice required to be given by City to Lessee under the provisions of Section 20E hereof unless Lessee exercises the election given it under said Section to have notices of defaults or notices to cure defaults sent to such lender or institution providing any credit enhancement facility as well as to Lessee:

2. Upon the giving of any notice of default or notice to cure default to either Lessee or to its lender, such lender or institution providing any credit enhancement facility may do and perform all things necessary or required to cure such default and maintain this Lease in good standing including the right, if so provided by the instruments or notes by which this Lease is assigned, or the leasehold estate herein created is pledged or title to the improvements thereon is transferred, to succeed to and take over possession of the demised premises; provided, however, that upon such succession to or taking over of the leasehold estate, such lender or any institution providing any credit enhancement facility shall be bound by all of the terms, covenants and conditions of this Lease and

may continue operations on the demised premises and maintain the improvements thereon, directly or through a sublease approved in writing by General Manager, only for the purposes and uses specified in Section 7 hereof or for such other purpose as General Manager may, at that time, authorize in writing;

3. In the event Lessee files with General Manager a written assignment of its right to participate in the distribution of any insurance proceeds, assigning all of its right, title and interest in and to such proceeds to the lender or institution providing any credit enhancement facility, and further, in the event the indebtedness upon the note secured by such assignment, mortgage, deed of trust, encumbrance or instrument transferring title has not been fully paid, satisfied and the security for the debt released, then such lender or lending institution providing any credit enhancement facility shall be entitled to the distribution of the insurance proceeds, if any, payable to Lessee; and

4. The lender or institution providing any credit enhancement facility shall have the right to succeed to the leasehold estate herein created pursuant to an assignment of this Lease or under the

exercise of the power of foreclosure as provided by law or as may be done by voluntary act on the part of Lessee in lieu of sale on foreclosure; provided, however, that said lender or any institution providing a credit enhancement facility shall be bound by all of the terms, conditions and covenants of this Lease and shall continue the operation on the demised premises for the purpose herein authorized, or for such other purpose as Board may approve in writing; and, provided further, that if the individual or corporation succeeding to the leasehold estate is someone other than the lender or any institution providing a credit enhancement facility, then such individual or corporation will likewise be so bound; provided further, that such lender or institution shall have the right with the consent of Board to sell, convey, transfer, assign, lease or sub-lease the demised premises or any portion thereof to any financially responsible person, firm or corporation engaged in the business of air commerce or air navigation, and the promotion or accommodation thereof, so long as the demised premises are used only for intended purposes and uses specified in Section 7, "Use of Demised Premises" herein. The Board's consent shall not be unreasonably withheld.

Two (2) copies of any and all security devices or instruments shall be filed with City two (2) weeks prior to the effective date thereof, and Lessee shall give City prior written notice of any changes or amendments thereto.

B. Nonprofit Financing Program. The making of Lessee's Improvements, referred to in Sections 2 and 9 hereof, may be financed, in whole or in part, through the issuance of lease revenue bonds issued by the Corporation on behalf of City. All of the RAIC Facilities are subject to the remaining provisions of this Section 21B. City agrees to cooperate with Lessee and Corporation in securing such financing. Corporation was duly incorporated in accordance with the General Nonprofit Corporation Law of the State of California on June 17, 1969 as a non-stock nonprofit corporation.

The Lease revenue bonds issued by the Corporation will be payable from rent payments made by Lessee pursuant to the hereafter defined Facilities Sublease and drawings under any credit enhancement facility provided by a lender or other institution. Corporation shall also have the ability to issue any other evidences of indebtedness for the RAIC Facilities, including, but not limited to, Bond Anticipation Notes.

Should this Nonprofit Financing Program through Corporation be utilized, it will in general include the following steps: Lessee shall assign this Lease, as it pertains and applies to RAIC Facilities, to Corporation; subject to the foregoing assignment as it pertains to the RAIC Facilities, Lessee may assign this Lease to a lender or institution providing a credit enhancement facility to provide security to that lender or institution for its obligation to pay or purchase bonds pursuant to the term of the Indenture and the credit enhancement facility; Corporation shall sublease the RAIC Facilities to Lessee pursuant to a "Facilities Sublease"; City hereby grants to Corporation, so long as it has any interest in the RAIC Facilities, easements of ingress and egress over the common roadways and taxiways at Airport; Corporation will issue its bonds secured by the Indenture between Corporation and the Trustee (the "Indenture"), to provide funds for the acquisition, construction, modification, expansion and installation of the RAIC Facilities and to pay other costs related thereto; thereafter Corporation may issue refunding bonds ("Refunding Bonds") for the purpose of refunding any Bonds. Bonds, and Refunding Bonds are collectively the "Bonds".

Title to all RAIC Facilities shall immediately, upon beneficial occupancy of the demised premises by Lessee, vest in City, subject to the then-existing financial security interests, Corporation facilities sublease and other encumbrances incurred or resulting from the financing by Lessee of Lessee's Improvements, and Lessee's leasehold interest therein.

Upon payment or redemption or provision therefor of all Bonds, in accordance with the terms of the Indenture, title to the RAIC Facilities along with the other assets of Corporation relating thereto, shall then become vested in City free and clear of any interest on the part of Corporation.

The corporate existence and purposes of Corporation are hereby approved. The proposed nonprofit financing program, consisting of the steps set forth above, is hereby approved. It is hereby agreed that City accepts the present beneficial interest in the RAIC Facilities constructed or to be constructed under the Nonprofit Financing Program. Upon the payment or redemption of all bonds, or provision therefor, in accordance with the terms of the Indenture.

As part of the Nonprofit Financing Program, with the approval of the Board as to each of the documents and without further consent of City, Lessee may, by executing the Facilities Sublease, sublease from Corporation the RAIC Facilities; Lessee may, by extending the Assignment of Terminal Facilities hence between Lessee and Chemical Bonds, as provider of an initial credit enhancement facility for the bonds, assign this Lease to Chemical Bank; Corporation may, by executing the Indenture, grant, bargain, sell, release, convey, assign, mortgage, pledge, and confirm unto the Trustee, with power of sale, all property, rights and privileges which constitute the Trust Estate as defined in the granting clauses of the Indenture; and Corporation may execute any and all instruments in connection therewith necessary and proper under the Indenture.

Corporation and Trustee and the holder or holders of Bonds (including any lender or institution providing any credit enhancement device in the event that it purchases bonds with funds provided under the credit enhancement device or otherwise), to the extent provided in the Indenture, may exercise any of the rights or remedies of Corporation under this Lease or the Facilities Sublease, including the right with the consent of Board to sell, convey, transfer, assign, lease or sublease the RAIC Facilities or any portion thereof, to any financially responsible person, firm or

corporation engaged in the business of air commerce or air navigation, and the promotion or accommodation thereof, so long as the demised premises are used only for intended purposes and uses specified in Section 7, "Use of Demised Premises", herein. The Board's consent shall not be unreasonably withheld.

City agrees to give Corporation and each Trustee under the Indenture any notice given or required to be given by City to Lessee under the provisions of subsection A of Section 20, "Defaults and Right to Terminate", hereof and said notice shall be in addition to the notice to be given to Lessee. Upon the giving of any notice of Lessee's default or notice to cure Lessee's default under subsection A of Section 20, City agrees that Corporation may on behalf of Lessee do and perform all things necessary or required to cure such default and maintain this Lease in good standing.

Any items herein required or permitted to be done by Corporation may, if so provided under the Indenture, be performed by the respective Trustee or any holder or holders of any Bond.

City also agrees that if Corporation does not participate in the nonprofit financing program, the acquisition, construction, modification, expansion and installation of

new facilities may be accomplished in substantially the manner provided above by a nonprofit corporation other than Corporation.

Sec. 22. Apron, Gate Positions and Loading Ramps.

Included in the over-all plans for the passenger terminal facilities at the Airport, City is providing as a means of access for aircraft between the Satellite Buildings and the taxiway and runway system of the Airport, large areas of apron pavement, airplane gate positions and aircraft loading ramps in the area immediately adjacent to and surrounding the Satellite Buildings. No special possessory, exclusive or vested rights whatsoever, save and except a use in common with other airlines, and Lessee's preferential but nonexclusive use of gate positions and aircraft loading ramps adjacent to Lessee's demised premises, pursuant to Section 23, shall vest in Lessee by reason of the proximity of such demised premises to said gate positions and aircraft loading ramps.

Sec. 23. Assignment of Gate Positions and Loading Ramps.

All assignments of gate positions and aircraft loading ramps shall be made in strict accordance with rules, regulations and directives adopted and promulgated by the Board and/or General Manager to facilitate the entry of new air carriers and to maximize the utilization of facilities at the Airport. Such rules, regulations and directives shall provide for the

preferential, but not exclusive, assignment by the General Manager of gate positions and loading ramps to the Lessee of the demised premises next adjacent to each gate position and loading ramp, taking into account said Lessee's needs and requirements for the use thereof. It is further understood that the gate positions and loading ramps are to be used for the loading and unloading of aircraft in passenger service in keeping with industry practice at the Airport. To facilitate the entry of new air carriers and to maximize the utilization of facilities at the Airport, at the direction of the General Manager, Lessee agrees not to use the gate positions and loading ramps for long-term aircraft parking or aircraft maintenance purposes.

Sec. 24. Vehicles and Automotive Equipment on Apron and Loading Ramp.

City reserves the right to regulate the use of vehicles and automotive equipment upon, over and across the apron and loading ramps around the passenger terminals at Airport. Except as provided in the rules and regulations adopted by the Board and orders and directives issued by the General Manager, for that purpose, as they currently exist or may be amended in the future, no vehicles or automotive equipment shall be operated upon, over or across said apron or loading ramps, and then only in strict accordance with said rules, regulations, orders and directives. In the event of emergencies not specifically provided for in said rules and regulations, the General Manager, or his designate representative on duty at the time of such emergency, shall have

power to take charge of the direction of such vehicular and automotive traffic in the area affected and regulate the same until the cause of such emergency has been removed. The existence of an emergency shall be determined by the General Manager, or in the event of his absence from the Airport, then by his designated representative.

Sec. 25. Underground Fueling Facilities. Neither the ownership by, nor the control of the underground fueling facilities around or along a Satellite or Connector Building by an airline tenant shall vest in such tenant any special, possessory or exclusive rights in the gate positions or the loading ramp served by such fuel system. Neither shall the entering into of this Lease vest in Lessee any right to operate such underground fueling system, but Lessee shall, before it commences the operation of any such fueling system, secure from City a license agreement authorizing it to perform the services of an aircraft fuel distributor at the Airport. Said license agreement between City and Lessee, dated September 19, 1961, and designated as License No. LAA-438 in City's files, is currently in effect and shall remain in effect until November 10, 1989, unless terminated, renewed or extended in accordance with the terms of said license agreement.

Sec. 26, Termination by City. City shall have the right to terminate this Lease in its entirety and all rights ensuing therefrom immediately upon the occurrence of the following:

A. The filing by Lessee of a voluntary petition in bankruptcy;

B. The appointment of a trustee in any involuntary bankruptcy proceeding instituted against Lessee and the failure of Lessee to secure the removal of such trustee within ninety (90) days after the date of appointment;

C. The taking of possession of all or substantially all of Lessee's assets pursuant to proceedings brought under the provisions of any federal reorganization act and the failure of Lessee to secure the return of said assets and the dismissal of such proceedings within ninety (90) days from the date of the taking of such possession;

D. The appointment of a receiver of all or substantially all of Lessee's assets and failure of Lessee to secure the return of its assets and the dismissal of such receivership proceeding within ninety (90) days from the date of such appointment;

E. The taking of possession of the demised premises or all or substantially all of the assets of Lessee by virtue of any attachment, execution or the levy of any judicial process in any action instituted against Lessee in any court of competent jurisdiction and the failure of Lessee to secure the release of such attachment, execution or levy within ninety (90) days from the date of the taking of such possession;

F. The assignment by Lessee of its assets for the benefit of its creditors; and

G. The abandonment for a period of ninety (90) days by Lessee of the conduct of its scheduled air transportation business at the Airport for reasons other than a strike or other cause beyond the control of Lessee.

Sec. 27. Termination by Lessee. Lessee shall have the right to terminate this Lease in its entirety and all rights ensuing therefrom immediately upon the occurrence of the following:

A. The withdrawal or termination by the Civil Aeronautics Board or its successor Federal Agency of the permit or authorization required by law permitting

or authorizing Lessee to operate into or from said City;

B. The issuance of any order, rule or regulation by the Civil Aeronautics Board, the Federal Aviation Administration, or its or their successor Federal Agencies, or other competent governmental authority, State or Federal, or the issuance and execution of any judicial process by any court of competent jurisdiction materially restricting for a period of at least sixty (60) days, the use of the Airport for scheduled air transportation; provided, however, that none of the foregoing is due to any fault of Lessee;

C. The material restriction of City's operation of the Airport by action of the Federal Government, or any department or agency thereof, under its wartime or emergency powers, and the continuance thereof for a period of not less than sixty (60) days; provided, however, that without prejudice to the rights of Lessee to terminate as above provided, City and Lessee may mutually agree to a just abatement of the rent accordingly as their respective rights are affected;

D. The suspension or revocation of City's Airport Operating Certificate for the Airport that continues for a period of at least sixty (60) days.

E. The commencement by City of the operation of a replacement major international and/or domestic airport with passenger terminal facilities serving Los Angeles that is used by air carriers for providing regularly scheduled air transportation services to the public with aircraft having a maximum gross certificated landing weight in excess of 80,000 pounds, provided Lessee gives written notice of such termination to City within one hundred eighty (180) days of such commencement.

Sec. 28. Taxes and Licenses.

A. Lessee shall pay all taxes of whatever character that may be levied or charged upon the leasehold estate in the demised premises, or upon Lessee's improvements, fixtures, equipment or other property thereon, or upon Lessee's use thereof. Lessee shall also pay all license or permit fees necessary or required by law or regulation for the conduct of Lessee's business or use of the demised premises.

This obligation, however, shall not prevent Lessee from contesting the validity and/or applicability of any of the above charges and during the period of any such lawful contest, Lessee may refrain from making, or direct the withholding of, any such payment without being in breach of the above provisions. Upon a final determination in which Lessee is held responsible for such taxes and/or fees, Lessee shall promptly pay the required amount plus all

legally imposed interest, penalties and surcharges.

B. In addition, by executing this Lease and accepting the benefits thereof, a property interest may be created known as a "possessory interest". If such possessory interest is created, Lessee, as the party in whom the possessory interest is vested, shall be subject to the payment of the property taxes levied upon such interest.

Sec. 29. Food and Beverage Concession Charges. In connection with Lessee's service of food and beverages in its enclosed passenger club and lounge rooms, not to include Lessee's hold rooms, Lessee shall pay to City a percentage of the gross receipts, if any, from the sale of same by Lessee to its passengers and invitees in such rooms. Said percentage shall be the same as that paid to City by the food and beverage concessionaires operating the restaurant and bar facilities in the terminal buildings at Airport.

Sec. 30. Rules and Regulations. The leasehold estate herein created shall be subject to any and all applicable rules, regulations, orders and directives governing Lessee's use and occupancy of the demised premises in effect at the commencement of this Lease or thereafter promulgated during the term hereof, laws, ordinances, statutes or orders of any governmental authority, federal, state or municipal, lawfully exercising authority over

Airport or Lessee's operations hereunder, provided that the rules, regulations, orders, directives, laws, ordinances and statutes of City (including Board and General Manager) shall be reasonable and not inconsistent with or contravene the rights granted to Lessee under this Lease. Nothing herein contained, however, shall be deemed to impair Lessee's right to contest any such rules, regulations, laws, ordinances, statutes or orders or the reasonableness thereof.

City shall not be liable to Lessee for any diminution or deprivation of Lessee's rights hereunder on account of the exercise of any such authority as is provided in this Section 30, nor shall Lessee be entitled to terminate the whole or any portion of the leasehold estate herein created by reason thereof unless the exercise of such authority so interferes with Lessee's use and occupancy of the demised premises or the improvements thereon as to constitute a constructive eviction or a termination, in whole or in part, of this Lease by operation of law or otherwise.

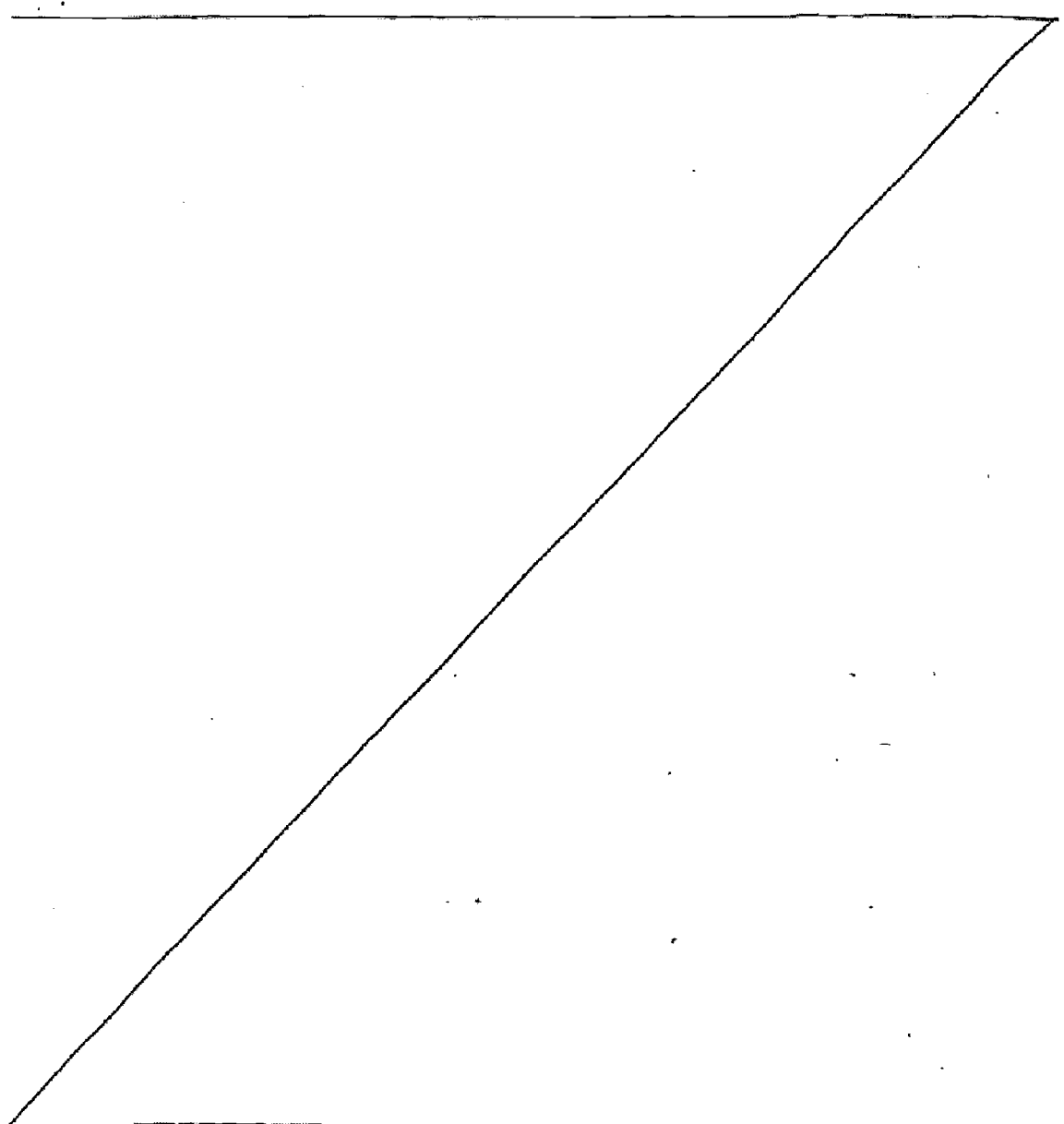
Sec. 31. Utility Services. All charges for water, gas, heat, light, power, telephone and any other utility service used by Lessee in connection with its occupancy of the demised premises to the extent that such utility services are not provided by City pursuant to Sections 13 and 14 of this Lease, including deposits, connection fees or charges and meter rentals required by the supplier of any such utility service, and the

costs of all equipment and improvements necessary for connecting the demised premises to such utility service facilities, shall be paid by Lessee. Lessee expressly waives any and all claims against City's Department of Airports for compensation for any and all loss or damage sustained by reason of any defect, deficiency or impairment of any water supply system, drainage or sewer system, gas supply system, telephone system, electrical supply system or electrical apparatus or wires serving the demised premises.

Sec. 32. Signs. No signs or advertisements, including those pertaining to Lessee's operations on the demised premises or on or in any improvements thereon, shall be installed or placed in or on said premises or Airport until Lessee has submitted to General Manager, for approval in writing, drawings, sketches, design dimensions and type and character of such signs and advertisements proposed to be placed thereon or therein, and any conditions in respect to the use thereof stated by said General Manager in his written approval thereof shall be conditions thereof as if set forth herein at length.

Lessee shall not, at any time, under any circumstances, install, place or maintain any type of advertising on the leased premises without the specific permission of the Board of Airport Commissioners.

Sec. 33. City's Right of Access and Inspection. City, by its officers, employees, agents, representatives and contractors, shall have the right at all reasonable times and in a reasonable manner, upon notice to Lessee, to enter upon the demised premises for the purpose of inspecting the same or for doing any act or thing which City may be obligated or



have the right to do under this Lease, including performing maintenance and making repairs and replacements, or otherwise, and to post any notices which, in the opinion of General Manager, are necessary to hold City harmless from any claim or liability arising out of any work done in, on or about said premises, or in connection with the use thereof, by Lessee; subject, however, to reasonable property protection rules and regulations of Lessee. No abatement of rental shall be claimed by or allowed to Lessee by reason of the exercise of such right, nor shall actions by City unreasonably interfere with Lessee's use and enjoyment of the premises.

Sec. 34. Nondiscrimination and Affirmative Action Program.

A. Lessee, for itself, its heirs, personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that in the event facilities are constructed, maintained or otherwise operated on the property described in this Lease for a purpose for which a DOT program or activity is extended or for another purpose involving the provision of similar services or benefits, Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department

of Transportation--effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

B. Lessee, in its operations at Airport, for itself, its personal representatives, successors in interest and assigns, as part of the consideration hereof, does hereby covenant and agree, as a covenant running with the land, that: (1) no person on the grounds of race, color or national origin shall be excluded from participation, denied the benefits of or be otherwise subjected to discrimination in the use of the facilities covered by this Lease; (2) that in the construction of any improvements on, over or under the premises authorized to be utilized herein and the furnishing of services thereon, no person on the grounds of race, color or national origin shall be excluded from participation in, denied the benefits of or otherwise be subjected to discrimination; and (3) that Lessee shall use said premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation--Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

C. Lessee agrees that in the event of breach of any of the above nondiscrimination covenants, City shall have the right to terminate this Lease and to reenter and repossess said land and the facilities thereon, and hold the same as if said Lease had never been made or issued. This provision does not become effective until the procedures of 49 CFR, Part 21, are followed and completed including expiration of appeal rights.

D. Lessee assures that it will undertake an affirmative action program as required by 14 CFR Part 152, Subpart E, to insure that no person shall on the grounds of race, creed, or color, national origin or sex be excluded from participation in any employment activities covered in 14 CFR Part 152, Subpart E. Lessee assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. Lessee assures that it will require that its covered suborganizations provide assurances to Lessee that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as required by 14 CFR Part 152, Subpart E, to the same effect.

E. In addition, Lessee, during the term of this Lease, agrees not to discriminate in its employment practices against any employee or applicant for employment because of the employee's or applicant's race, religion, national origin, ancestry, sex, age or physical handicap. Lessee further agrees to abide by the provisions of Section 10.8.4 of City's Administrative Code, a copy of which is printed on the CERTIFICATION FOR CONTRACTS OF MORE THAN \$5,000, which Certification City acknowledges Lessee has previously submitted along with a copy of its Affirmative Action Plan. Said Plan, having been approved by City, shall remain valid for one (1) year from the date of approval and, with said Certification, shall be incorporated by reference in and become part of this Lease. Lessee agrees that prior to the expiration of said Plan, Lessee will again submit to City its revised and/or updated Affirmative Action Plan for approval as well as another completed Certification.

F. Lessee shall furnish its accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and it shall charge fair, reasonable and not unjustly discriminatory prices for each unit or service; provided that Lessee shall be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar type of price reductions to its users.

G. Noncompliance with paragraph F above shall constitute a material breach thereof, and in the event of such noncompliance, City shall have the right to terminate this Lease and the estate hereby created without liability, therefor, or at the election of City or the United States, either or both said governments shall have the right to judicially enforce the provisions in paragraphs A, H and F above. Said termination, however, shall not take place until after Lessee has received written notice of such noncompliance as well as an opportunity to be heard regarding same and to correct the practice causing noncompliance.

H. Lessee agrees that it shall insert the provisions found in paragraphs A, H, F and G above in any sublease by which said Lessee grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the premises herein leased.

Sec. 35. Entire Agreement. This Lease contains the entire agreement between the parties hereto and said Lease shall not be modified in any respect except by formal, written amendment.

Sec. 36. Attorney's Fees. If either party hereto shall, without any fault, be made a party to any litigation commenced by or against the other party arising out of such other party's use or occupancy of the demised premises or operation of the Airport, and as a result of which said party is finally adjudicated

to be liable, then such other party shall pay all costs and reasonable attorney's fees incurred by or imposed upon said party in connection with such litigation. In any action by City or Lessee for recovery of any sum due under this Lease, or to enforce any of the terms, covenants or conditions contained herein, the prevailing party shall be entitled to reasonable attorney's fees in addition to costs and necessary disbursements incurred in such action. Each party shall give prompt notice to the other of any claim or suit instituted against it that may affect the other party.

Sec. 37. Successors and Assigns bound. All covenants, conditions, stipulations and agreements herein contained shall extend to and be binding upon the successors and assigns of the respective parties hereto.

Sec. 38. Other Agreements Not Affected. Neither this Lease nor any of the terms, covenants, conditions or agreements herein contained shall in any manner affect, change, impair, amend, modify, or enlarge any of the rights, privileges, duties or obligations of either of the parties hereto under or by reason of any lease, license, permit or agreement heretofore entered into by the parties hereto, nor shall any such other lease, license, permit or agreement affect, change, alter, impair, enlarge or limit the rights, duties and obligations of the parties hereunder. Notwithstanding the foregoing provisions, it is understood and

agreed that the Lease Agreement between City and Lessee, dated September 19, 1961, and designated as Lease No. LAA-437, as amended, in the files of the Board, is terminated in its entirety as of the effective date of this Lease.

Sec. 39. Lessee's Option to Continue or Renew Lease

A. Lessee shall have an option, which City hereby grants to Lessee, to continue, or renew, the Lease with respect to the demised premises, after City's exercise of its Buyback right provided for in Section 11 of the Lease, under the following circumstances:

- (1) If City exercises said buyback right, and the City does not advise Lessee that the demised premises will be utilized for other than an Airport Terminal Use, as defined in Section 2 of this Lease, Lessee may exercise the option to continue the Lease by giving City written notice thereof not later than sixty (60) days after Lessee receives written notice from City that City will exercise said buyback right; and
- (2) In the event that City exercises said Buyback right, and utilizes or authorizes the utilization of the demised premises for other than an Airport Terminal Use, and, at any time within thirty-six (36) months thereafter, City utilizes or authorizes the utilization of the demised premises for an

Airport Terminal Use, Lessee may exercise the option to renew the Lease by giving City written notice thereof not later than sixty (60) days after the initial date that City utilizes or authorizes utilization of the demised premises for an Airport Terminal Use. If the use of the demised premises for other than an Airport Terminal Use continues for a period of thirty-six consecutive months, Lessee's option to renew the lease shall terminate.

- B. Upon exercising said option under (1) or (2) above, the Lease shall be continued, or renewed, and Lessee shall have all rights under the lease to the use, occupancy and enjoyment of the demised premises, and the Improvements thereon, for the
8. balance of the original Lease term, under the same terms and conditions of the Lease, except for the deletion of Section 11, and provided that the rental credit to Lessee provided for in Section 4B, and the parties' respective obligations under Section 4C, of this Lease shall terminate and City may immediately adjust Lessee's fair rental rate provided for herein for the demised premises in accordance with Section 6G of this Lease, in the computation of which City may take into consideration the value of Lessee's Improvements, except for those Lessee Improvements that are removable pursuant to Section 12.C. hereof.

C. Notwithstanding any other provisions of this Lease, this Section 39, and the option granted by City herein, and Lessee's right to exercise said option according to its terms, shall survive any termination of this Lease under Section 11 hereof, and shall remain fully effective and enforceable.

Sec. 40. Miscellaneous.

A. No waiver by City or Lessee of any breach of any provision of this Lease shall be deemed for any purpose to be a waiver of any breach of any other provision hereof, or of any continuing or subsequent breach of the same provision.

B. Each right of the parties hereto is cumulative and is in addition to each other legal right which the party may have in the event of the default of the other.

C. In the event any covenant, condition or provision herein contained is held to be invalid by final judgment of any court of competent jurisdiction, the invalidity of such covenant, condition or provision shall not in any way affect any other covenant, condition or provision herein contained.

D. It is the intention of the parties hereto that if any provision of this Lease 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.

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

F. In each instance herein where City's, Board's or General Manager's approval or consent is required before Lessee may act, such approval or consent shall not be unreasonably withheld.

G. 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.

H. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308 of the Federal Aviation Act with respect to those Airport Areas and facilities specified in said Section 308.

I. This Lease shall be subordinate to the provisions and requirements of any existing or future agreement between City and the United States relative to the development, operation or maintenance of Airport.

J. This Lease 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, operations, regulation and taking over of

EXHIBIT B-1

Airport, or the exclusive or non-exclusive use of Airport, by the United States during the time of war or national emergency.

K. City represents that it has the right to lease the demised premises described herein, together with all facilities, rights, licenses, services and privileges herein granted and has full power and authority to enter into this Lease by virtue of and under its Charter and all applicable laws.

L. City agrees that on payment of the rent, charges and performances of the covenants, conditions and agreements on the part of Lessee to be performed, Lessee shall have and enjoy the use of the demised premises and all of the rights and privileges granted herein.

M. Written notices to City hereunder and to the City Attorney of the City of Los Angeles shall be given by registered or certified mail, postage prepaid, and addressed to said parties at Department of Airports, Post Office Box 92216, Los Angeles, California 90009, or to such other address as these parties may designate by written notice to Lessee.

Written notices to Lessee hereunder shall be given by registered or certified mail, postage prepaid, and addressed to VP-Properties and ~~EXHIBIT B-1~~ American Airlines, Inc.,

MD 3857, Post Office Box 619616, Dallas-Ft. Worth Airport,
Texas 75261-9616, or to such other address as Lessee may
designate by written notice to City.

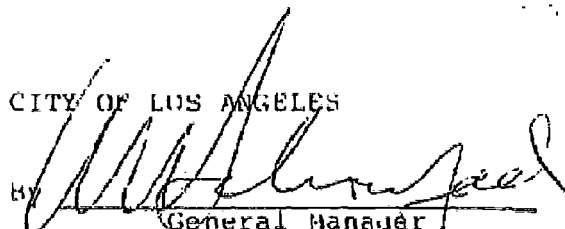
The execution of any such notice by General Manager
shall be as effective as to Lessee as if it were executed
by Board of by Resolution or Order of said Board, and
Lessee shall not question the authority of General Manager
to execute any such notice.

All such notices shall be delivered personally to
General Manager or to the Office of the City Attorney,
Airports Division, in the one case, or to Lessee in the
other case, or shall be deposited in the United States mail,
properly addressed as aforesaid with postage fully prepaid
by certified or registered mail, and shall be effective upon
receipt.

IN WITNESS WHEREOF, City has caused this Lease to be executed
by General Manager and Lessee has caused the same to be executed
by its duly authorized officers and its corporate seal to be here-
unto affixed, all as of the day and year first hereinabove written.

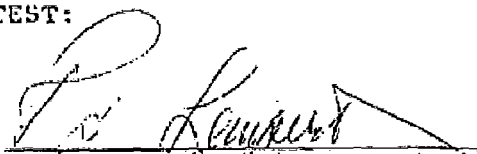
CITY OF LOS ANGELES

By


General Manager
Department of Airports

ATTEST:

By



(Signature)

R. A. LEMPERT
(Print Name)

3. [SEAL]

AMERICAN AIRLINES, INC.

By


(Signature)

RICHARD A. JAMISON
(Print Name)

President
(Print Title)

APPROVED AS TO FORM
IRA REINER
CITY ATTORNEY

SEP 23 1984

By

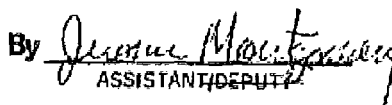

ASSISTANT/DEPUTY

EXHIBIT B-1

U. S. A. ANNUAL CAPITAL-COST-RECOVERY RATE AND ESTIMATED M. & O. RATE
 AIRLINES: JAL AREAS IN TICKETING AND SATELLITE BUILDING 4
 M. & O. RATES EFFECTIVE JULY 1, 1982
 REVISED CAPITAL-COST-RECOVERY RATE EFFECTIVE NOVEMBER 11, 1981

	Sq. Ft.	D.A. Annual Capital-Cost- Recovery Rate Incl. 15% Adm.	Total D.A. Annual Capital- Cost-Recovery	Estimated M. & O. Service Charge Incl. 15% Adm.	Total M. & O. Service Charge	Total Capital- Cost & Service Charge Rates	Total Capital- Cost & Service Charge Rates
<u>TICKETING BUILDING 4</u>							
Basement Baggage Area	4,807	\$3,40045	\$ 16,731	\$ 2,6828	\$ 12,896	\$ 6,1635	\$ 29,628
1st Floor: Ticket Counter & Offices	8,504	1,77645	32,115	7,0259	59,748	10,20235	91,863
Baggage Claim Area	9,117	.42	3,829	--	-0-	.42	3,829
Baggage Claim Area	3,569	3,96553	14,153	11,3932	40,662	15,35873	54,815
Baggage Claim Area Easterly Add.	4,149	5,14126	21,331	11,3932	47,271	16,53446	68,601
2nd Floor: Baggage Canopy Area Easterly Add.	2,667	4,51496	12,041	5,6755	15,137	10,19046	27,1
<u>SATELLITE BUILDING 4</u>							
Operations							
Level: Office Area	17,185	3,76651	64,727	7,0259	120,740	10,79241	185,457
Baggage Area	14,377	3,51779	50,575	2,6828	39,571	6,20059	89,146
Public							
Level: Hold Rooms	14,563	4,14477	60,360	8,3064	120,966	12,45117	181,326
Mez.							
Level: Office & Club Area	3,488	3,81380	13,303	7,0259	24,506	10,8397	37,809
Offices	4,032	5,11715	20,632	7,0259	28,329	12,14305	48,951
Baggage Channel	6,932	1,63310	11,321	2,6828	18,597	4,3159	29,910
B-747 Area							
Hold Area	15,500	.42	6,510	5,1689	80,118	5,58890	86,628
Appendages	14,384	.42	6,041	3,8685	55,645	4,2885	61,696
TOTALS	123,274		\$333,669		\$663,186		\$996,855

EXHIBIT B-1

Exhibit "J"

PROJECT COSTS

Cost of the Project means the cost to the airline of the construction and development of Lessee's Improvements including, but not limited to, RAIC Facilities and Financing of the Project, and shall include the cost of engineering, architectural services, plans, specifications and surveys, estimates of cost, the cost of preparation of the site, the cost of any indemnity and surety bonds or other insurance coverage with respect to the project during construction, interest on the bonds during construction, the cost of funds advanced by the airline towards the Cost of the Project prior to the issuance of bonds (whether or not interest shall have actually been paid), fees and expenses of the trustees in connection with the preparation, issuance and delivery of bonds, the administrative expenses of the Corporation or other issuer of bonds or bond anticipation notes attributable to the Project.

The cost of issuance of the bonds and bond anticipation notes including, without limitation, discounts, commissions, financing charges and fees and expenses of underwriters, attorneys (other than the fees and expenses of counsel to the airline), accountants, advisers and consultants, the cost of audits, the cost of any registration of the bonds and shall also include without limitation such other costs and expenses to and including the date of completion of the Project as may be necessary or incidental to the construction development and completion of Lessee's Improvements.

EXHIBIT B-2

**FIRST AMENDMENT TO TERMINAL FACILITIES LEASE (LAA-4687) BETWEEN
AMERICAN AIRLINES, INC. AND THE CITY OF LOS ANGELES, DATED JANUARY
18, 2002 (LAA-4687A)**

Los Angeles World Airports

BOARD ORDER NO. AO-4793

Board File

No. ~~LAA-4687~~ **A**

ORDER AUTHORIZING FIRST AMENDMENT BETWEEN THE CITY OF LOS ANGELES AND AMERICAN AIRLINES, INC. LEASE NO. LAA-4687 COVERING THE ADDITION OF NEW SPACE IN TERMINAL NO. 4, A NEW FEDERAL INSPECTION SERVICES FACILITY AND CONNECTOR TUNNEL BETWEEN TERMINAL NO. 4 AND THE TOM BRADLEY INTERNATIONAL TERMINAL AT LOS ANGELES INTERNATIONAL AIRPORT.

Section 1. WHEREAS, there is in existence Lease No. LAA-4687 between the City of Los Angeles and American Airlines, Inc. covering space in Ticketing/Satellite Building No. 4 and adjacent ground areas at Los Angeles International Airport; and

WHEREAS, it is the desire of the parties hereto to amend said Lease by adding a total of 373,705 square feet, of which 122,266 square feet are in the ticketing building, 85,428 square feet in the connector building, 94,318 square feet in the satellite building, and 71,693 square feet of space utilized in the FIS area; and

WHEREAS, American Airlines (American) has been in the process of upgrading virtually all areas in Terminal No. 4. This construction work has been performed under the provisions of a Right-of-Entry Permit. American has begun work on a new Federal Inspection Services (FIS) facility that will expand the existing leasehold area and add new facilities to Terminal No. 4. The improvements will result in approximately 73,600 square feet of additional terminal space. The ticketing lobby has been completely remodeled with a new atrium area. Additional space has also been added for concessions, and all public areas have been renovated; and

WHEREAS, American's initial annual rent will be \$5,594,721.84. This amount is subject to periodic adjustment to Fair Market Value every five years. In addition, the Maintenance and Operations Charges (M & O) for these spaces will be adjusted annually and will also recapture costs associated with construction reimbursements that have been previously granted to American; and

WHEREAS, LAWA has the right to acquire leased premises at any time during the term of the lease through purchase of the outstanding principal balance of the bonds, including accrued interest, issued to finance construction of the leasehold premises; and

WHEREAS, default or breach of the terms of any other lease or contract between American and the City constitutes a breach of the terms of the lease and gives the City the right to terminate the lease; and

WHEREAS, the First Amendment Lease allows American to finance the construction of its FIS facilities and other improvements in Terminal No. 4 through the issuance of tax exempt bonds. It is anticipated that American will use the Regional Airports Improvement Corporation (RAIC) as the conduit for the issuance of these bonds. The amount of the bonds to be issued in conjunction with this project is estimated at \$240,000,000; and

LAX

Ontario

Van Nuys

Palmdale

City of Los Angeles

James K. Hahn
Mayor

Board of Airport
Commissioners

Theodore Stein, Jr.
President

Warren W. Valory
Vice President

Eileen M. Levine
Cheryl K. Peterson
Armando Vergara, Sr.
Mahala Walter
Leland Wong

Lydia H. Konnard
Executive Director

EXHIBIT B-2

WHEREAS, the First Amendment will generate an additional \$1.87 million per year for a total of \$5,594,721.84 in annual revenue. This represents over \$122.6 million in projected revenue to LAWA, exclusive of periodic rental increases, over the remaining term of the Lease through its termination on December 4, 2024; and

WHEREAS, this First Amendment is exempt from the requirements of the California Environmental Quality Act as provided by Article III, 2 (f) of the Los Angeles City CEQA Guidelines; and

WHEREAS, this Lease Amendment is subject to the provisions of the Service Contract Worker Retention and Living Wage Ordinances. American Airlines, Inc. has signed the appropriate Declaration of Compliance forms; and

WHEREAS, no subcontracting opportunities have been identified, and as such, this action is not subject to the MBE/WBE/OBE/DBE program; and

WHEREAS, this item is subject to the provisions of the Affirmative Action Program. American Airlines has an approved plan on file with the City of Los Angeles; and

WHEREAS, American Airlines has a Business Tax Registration Certificate on file; and

WHEREAS, this item is subject to the provisions of the Child Support Ordinance. American Airlines, Inc. has signed the appropriate Declaration of Compliance form; and

WHEREAS, American Airlines has approved insurance documents on file with the City of Los Angeles; and

WHEREAS, this Amendment has been executed by American and has been approved as to form and legality by the City Attorney; and

WHEREAS, 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;

NOW, THEREFORE, IT IS ORDERED that it is the best interest of the City of Los Angeles to adopt the Staff Report, and to make and enter into said First Amendment, which is exempt from CEQA requirements, and the First Amendment as now before this Board is hereby approved, and the Executive Director of the Department of Airports is hereby authorized and directed to execute the First Amendment with American Airlines, Inc. on behalf of this Board and the City of Los Angeles upon approval of this Order and said First Amendment by the City Council.

- Section 2. IT IS FURTHER ORDERED that the Secretary of the Board is hereby directed to transmit to the City Council of the City of Los Angeles certified copies of this Order, together with a copy of said First Amendment for appropriate action of its part, in accordance with Section 606 of the Charter of the City of Los Angeles.
- Section 3. IT IS FURTHER ORDERED that the Secretary of the Board certify to the passage of this Order and cause the same to be published once in a newspaper of general circulation in the same manner as Ordinances of the City of Los Angeles are published.

o0o

I hereby certify that the foregoing is
a true and correct copy of Board Order
No. AO-4793 adopted by the Board of
Airport Commissioners at a special
meeting held Tuesday, November 13, 2001.

A handwritten signature in black ink, appearing to read 'S. Miller', is written over the printed name.

Sandra J. Miller - Secretary
BOARD OF AIRPORT COMMISSIONERS

FIRST AMENDMENT TO LEASE NO. LAA-4687
BETWEEN THE CITY OF LOS ANGELES AND
AMERICAN AIRLINES, INC. COVERING TERMINAL 4
FACILITIES AT LOS ANGELES INTERNATIONAL AIRPORT

Board File

~~NO LAA-4687A~~

This FIRST AMENDMENT TO LEASE NO. LAA-4687 ("First Amendment") made and entered into this 19th day of January, 200²1, by and between the CITY OF LOS ANGELES, a municipal corporation, acting by order of and through its Board of Airport Commissioners ("City"), as lessor, and AMERICAN AIRLINES, INC., a Delaware Corporation ("Lessee"), as lessee.

RECITALS

WHEREAS, the City and Lessee entered into Lease No. LAA-4687, dated November 26, 1984 (as originally executed and delivered, the "Lease") covering certain Terminal 4 facilities and adjacent ground areas at Los Angeles International Airport; and

WHEREAS, Lessee has undertaken additional improvements on the demised premises not contemplated by the Lease; and

WHEREAS, Lessee intends to utilize Regional Airports Improvements Corporation (the "RAIC") to issue Bonds (the "2001 Bonds") pursuant to an indenture (the "2001 Indenture") to refund \$33,500,000 aggregate principal amount of Facilities Sublease Flexible Demand Revenue

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Bonds, Issue of 1984 (the "1984 Bonds") and to finance the cost of design, construction and equipping of Lessee's 2001 Improvements (as herein defined); and

WHEREAS, the parties hereto now desire to amend and supplement the Lease in order to specifically delineate the actual square footages of the demised premises (as herein defined), adjust the Lessee's annual rental therefor, provide for additional spaces and demised premises, and to add certain other provisions that the City presently requires in the lease of property at the Airport;

NOW, THEREFORE, the parties hereto, for and in consideration of the premises and of the terms, covenants and conditions herein contained to be kept and performed by the respective parties hereto, do mutually agree the Lease BE AMENDED AS FOLLOWS:

Section 1. Definitions.

(a) Unless the context shall clearly indicate some other meaning, the terms used in this First Amendment (including, without limitation, the next paragraph hereof) which are defined in the Lease, and not herein amended, shall have the meanings given to them in the Lease.

(b) Unless the context shall clearly indicate some other meaning, the following terms shall, for all purposes of the Lease and any amendments or supplements thereto (including for all purposes of this First Amendment), have the following meanings, with the following definitions to be equally applicable to both the singular and plural forms of such terms and *vice versa*:

(1) Board: "Board" shall mean the Board of Airport Commissioners of the City of Los Angeles.

(2) Code: "Code" shall mean the Internal Revenue Code of 1986, as amended, and all temporary or final regulations promulgated thereunder or applicable thereto, and, to the extent it applies, the Internal Revenue Code of 1954, as amended, and all temporary or final regulations promulgated thereunder or applicable thereto.

(3) Executive Director: "Executive Director" shall mean Executive Director of the Department of Airports.

(4) FIS or Federal Inspections Services Facilities: "FIS" or "Federal Inspection Services Facilities" shall mean those areas and improvements which consist of the Immigration Hall and related facilities in Terminal 4, the international baggage areas and related facilities in and adjacent to Terminal 4, the secure (sterile) tunnels, including tunnels and corridors leading to the government inspection areas and related facilities in Terminal 4, the transit lounges in Terminal 4, and the related government offices and storage areas, described in Section 3 of the Lease, as amended and supplemented.

(5) Lessee's 2001 Improvements: "Lessee's 2001 Improvements" shall mean the Lessee's Improvements described in Section 3 of the Lease, as amended and supplemented.

(6) Nonprofit Financing Program: "Nonprofit Financing Program," in addition and supplemental to the description given that term in the Lease, shall include the method of financing undertaken to finance the Project (as herein defined).

(7) Project: "Project," shall mean the facilities financed with the proceeds of the 1984 Bonds to be refinanced with the proceeds of the 2001 Bonds, together with the facilities

to be financed with the proceeds of the 2001 Bonds, such facilities being described in Section 3 of the Lease, as amended and supplemented.

(8) RAIC Facilities: "RAIC Facilities," in addition and supplemental to the meaning given that term in the Lease shall include the Lessee's 2001 Improvements.

(9) Terminal 4: "Terminal 4" shall mean Satellite Building No. 4 and the structures and facilities within said building, including the Ticketing Building and the Connector tunnel between Satellite building 4 and the facility know as Tom Bradley International Terminal, as shown on sheets 1 through 18 of American Airlines drawings dated 02-23-01, collectively called Exhibit "A", which is attached hereto and incorporated herein by this reference.

(10) 2001 Bonds: "2001 Bonds" shall mean the Bonds issued pursuant to the 2001 Indenture to finance and refinance the Project, including any bonds issued to refinance or refund the 2001 Bonds.

(11) 2001 Indenture: "2001 Indenture," shall mean the Indenture dated as of _____, 2001 by and between the RAIC and the 2001 Trustee providing for the issuance of the 2001 Bonds.

(12) 2001 Trustee: "2001 Trustee," shall mean BNY Western Trust Company, and any successor thereto under the 2001 Indenture.

(c) In each and every place the term "General Manager" is used in the Lease, as amended and supplemented, such term shall be read to mean "Executive Director." In each and every place the term "Lessee's Improvements" is used in the Lease, as amended and supplemented, such term shall be deemed to include the "Lessee's 2001 Improvements". In each and every place, the term "Indenture" is used in the Lease, as amended and supplemented, such

term shall be deemed to include the "2001 Indenture". In each and every place, the term "Trustee" is used in the Lease, as amended and supplemented, such term shall be deemed to include the "2001 Trustee". In each and every place the terms "Bonds", "Refunding Bonds" or bonds are used in the Lease, as amended and supplemented, such terms shall be deemed to include the "2001 Bonds".

Section 2. Demised Premises.

Section 3 of the Lease is hereby deleted and the following substituted therefor:

"The City hereby leases to Lessee and Lessee hereby leases from the City, for the term and upon the conditions hereinafter provided, the following demised premises:

A. Category I Space and Facilities.

1. Ticketing Building. (Pre-1984)

All of the premises containing approximately 48,336 square feet, as shown in the red areas on American Airlines drawings dated 02-23-01, attached hereto as Exhibit "A" and incorporated herein by reference, and as more particularly described as follows:

<u>Space No.</u>	<u>Sheet No.</u>	<u>Description</u>	<u>Square Feet</u>
01	10	American Office	472
04	10	American Breakroom	352
24	10	American Restroom	208
26	10	American Women's Restroom	297
30	10	American medical	2,206
31	10	American Storage	96

36	10	American Locker/Break	3,998
37	10	American Corridor	3,124
38	10	American Credit Union	1,171
39	10	American Office	374
42	10	American Storage	138
43	10	American Janitor	75
47	10	American Medical	1,457
50	10	American Corridor	3,348
51	10	American Storage	374
52	10	American Office	950
01	11	American Offices	1,698
06	11	American Electrical Room	100
09	11	American Offices	4,855
12	11	American Corridor	1,287
28	11	American Storage	106
29	11	American Offices	398
30	11	American Closet	141
31	11	American Closet	162
32	11	American Storage	60
01	14	American Office	704
07	14	American Conf. Room	711
08	14	American Office	5,819

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15	14	American T.I. Room	190
18	14	American Janitor	77
21	14	American Office	442
24	14	American Men's Restroom	227
25	14	American Paging Room	151
27	14	American Women's Restroom	267
29	14	American Security Office	437
30	14	American Corridor	2,579
33	14	American Code Share/Alliance	1,802
02	15	American Office	6,709
05	15	American Janitor	83
06	15	American Restroom	691

2. Satellite Buildings, (Pre-1984)

All of the premises containing approximately 75,872 square feet, as shown in the light green areas on American Airlines drawings dated 02-23-01, attached hereto as Exhibit "A" and as more particularly described as follows:

<u>Space No.</u>	<u>Sheet No.</u>	<u>Description</u>	<u>Square Feet</u>
01	9	American Storage	165
03	9	American Operations	515
04	9	American Operations	817
05	9	American Storage	969

06	9	American Breakroom	1,800
08	9	American Locker Room	2,900
09	9	American Mechanical	420
10	9	American Operations	238
11	9	American Corridor	45
12	9	American Operations	568
13	9	American Locker Room	236
14	9	American Corridor	220
20	9	American Office	1,019
24	9	American Cafeteria	550
28	9	American Corridor	1,120
29	9	American T.I.	1,520
36	9	American Operations	1,986
37	9	American Storage	138
44	9	American Electrical Room	90
48	9	American Corridor	1,875
49	9	American Paging	366
50	9	American Office	3,553
51	9	American Office	4,334
52	9	American Office	1,939
53	9	American Mail	197
54	9	American Operations	3,168

55	9	American Office	232
57	9	American Mechanical	970
58	9	American Operations	2,463
60	9	American Operations	290
62	9	American Communications	48
64	9	American Storage	1,198
65	9	American Office	579
66	9	American Equipment	452
72	9	American Office	302
74	9	American Office	489
76	9	American Eagle Holdroom	1,350
77	9	American Storage	124
80	9	American Electrical Room	142
01	13	American Holdroom	4,752
03	13	American Holdroom	4,374
04	13	American Conveyor Chnl.	56
06	13	American Conveyor Chnl.	73
32	13	American Holdroom	23,900
34	13	American Conveyor Chnl.	73
35	13	American Conveyor Chnl.	92
36	13	American Late Meal	705
38	13	America Conveyor Chnl.	83

39	13	American Conveyor Chnl.	83
43	13	American Conveyor Chnl.	90
81	13	American Operations	171
82	13	Unaccompanied Minors	290
83	13	American Passage	136
85	13	American Conveyor Chnl.	83
86	13	American Lobby	609
87	13	American Dumbwaiter	16
90	13	American Vestibule	163
91	13	American Storage	64
92	13	American Dumbwaiter	19
93	13	American Vestibule	196
94	13	American Check-In	264
06	17	American Storage	27

3. Baggage Channels and Baggage Ramps. (Pre-1984)

All of the premises containing approximately 1,283 square feet, as shown in the yellow areas on American Airlines drawings dated 02-23-01, attached hereto as Exhibit "A" and as more particularly described as follows:

<u>Space No.</u>	<u>Sheet No.</u>	<u>Description</u>	<u>Square Feet</u>
02	1	Abandoned Conveyor Chnl.	1,283

4. Ground Level. (East Ticketing – Pre-1984)

All of the premises containing approximately 15,911 square feet, as shown in the violet areas on American Airlines drawings dated 02-23-01, attached hereto as Exhibit "A" and as more particularly described as follows:

<u>Space No.</u>	<u>Sheet No.</u>	<u>Description</u>	<u>Square Feet</u>
01	2	American Office	708
02	2A	Baggage Claim	12,775
02	2	Custodial Surcharge	
09	2	American Computer	166
45	2	American Storage/Office	952
67	2	American Office	375
71	2	American Office	419
78	2	American Recheck	516

B. Category II Space and Facilities. (Operations and Public Levels Connector – Post 1984)

All of the premises containing approximately 59,405 square feet, as shown in the blue areas on American Airlines drawings dated 02-23-01, attached hereto as Exhibit "A" and as more particularly described as follows:

<u>Space No.</u>	<u>Sheet No.</u>	<u>Description</u>	<u>Square Feet</u>
01	8	American Baggage	619
09	8	CTX Baggage Check AA	2,134

13	8	American Restroom	65
20	8	American Restroom	78
21	8	American Baggage	33,687
22	8	American Mtce. Shop	990
23	8	American Mtce. Shop	393
26	8	American Dumbwaiter	20
29	8	American Electrical Room	619
31	8	American Expeditors	416
32	8	American T.I. Room	111
33	8	American Inbound Breakroom	346
34	8	American Crew Chief	79
18	12	American Lobby	910
19	12	American Holdroom	3,699
20	12	American Dumbwaiter	19
21	12	American Mech. Room	113
22	12	American Elevators	94
23	12	American Holdroom	3,729
24	12	American Stairs	133
25	12	American Holdroom	2,754
31	12	American Office	244
36	12	American Holdroom	207
38	12	American Holdroom	944

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41	12	American Electric	100
52	12	American Dumbwaiter	20
59	12	American Conveyor	81
65	12	American Conveyor	81
71	12	American Holdroom	5,238
75	12	American Encoding	1,482

C. Category III.

Satellite Building No. 4 Connector Ground Area. (Post 1984)

All of the premises containing approximately 4,072 square feet, as shown in the green areas on American Airlines drawings dated 02-23-01, attached hereto as Exhibit "A" and as more particularly described as follows:

<u>Space No.</u>	<u>Sheet No.</u>	<u>Description</u>	<u>Square Feet</u>
8	5	American Airlines Office	597
25	5	American Storage	487
26	5	American Training	1,566
30	5	American Storage	1,422

D. Category IV. (Spaces and Facilities – Post 1984)

All of the premises containing approximately 37,670 square feet, as shown in the beige areas on American Airlines drawings dated 02-23-01, attached hereto as Exhibit "A" and as more particularly described as follows:

<u>Space No.</u>	<u>Sheet No.</u>	<u>Description</u>	<u>Square Feet</u>
01	6	American Baggage	11,859
04	6	American Ticket Counter	2,719
43	6	American Office - Skycap	339
44	6	American Storage	322
46	6	American Storage	46
47	6	American Storage	43
49	6	American Conveyor Chnl.	172
50	6	American Ticket Counter	227
62	6	American Baggage	4,306
63	6	American CTX	757
64	6	American Storage	122
65	6	American Storage	473
69	6	American Bag. Conveyor	2,851
75	6	American FIDS	63
76	6	American Storage	117
01	7	American Baggage	7,968
02	7	American Ticket Counter	2,192
13	7	American Storage	144
15	7	American Electrical	87
27	7	Commuters	254
29	7	American Vestibule	79

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31	7	American Electrical	80
32	7	Bus Port	2,450

B. Category V Airspace. (Airspace – Public Pedestrian Overcrossing – Post 1984)

All of the premises containing approximately 3,142 square feet, as shown in the brown areas on American Airlines drawings dated 02-23-01, attached hereto as Exhibit "A," and as more particularly described as follows:

<u>Space No.</u>	<u>Sheet No.</u>	<u>Description</u>	<u>Square Feet</u>
24	11	Bridge	3,142

F. Category VI (2001 Facilities).

All of the premises containing approximately 128,014 square feet, as shown in orange on American Airlines drawings dated 02-23-01, attached hereto as Exhibit "A" and more particularly described as follows:

1. FIS and Government Spaces.

<u>Space No.</u>	<u>Sheet No.</u>	<u>Description</u>	<u>Square Feet</u>
74	2	Customs Office - AA	2,394
76	2	USDA Offices -AA	973
21	3	International Baggage Claim - AA	15,406
22	3	Public Corridor - AA	2,659
23	3	USDA Offices -AA	2,063
24	3	Public Lobby -AA	8,388

33	3	FIS Elevator	63
37	3	INS Offices -AA	4,906
40	3	Public Restrooms -AA	1,108
41	3	USPHS Offices -AA	918
45	3	Shared Facilities -AA	1,208
46	3	Public Corridor -AA	4,154
47	3	FIS Inspection Area- AA	6,812
48	3	RCC - AA	364
49	3	Moving Sidewalk - AA	1,420
50	3	INS Primary Booths -AA	2,680
1	4	Public Corridor -AA	3,152
2	4	Moving Sidewalk -AA	598
3	4	Corridor to TBIT -AA	4,040
22	5	In-Transit Lounge Offices - AA	205
23	5	In-Transit Lounge -AA	3,085
34	5	USFWS Storage - AA	292
37	5	In-Transit Corridor -AA	595
12	7	FIS Elevator -AA	63
10	8	FIS Stairs and Escalators -AA	1,237
73	12	Sterile Corridor -AA	2,973

2. Lounge and Miscellaneous Spaces.

<u>Space No.</u>	<u>Sheet No.</u>	<u>Description</u>	<u>Square Feet</u>
2B	2	Baggage Claim	14,973
47	2	American Office	297
48	2	American Office	593
49	2	American Office	516
50	2	American Office	149
51	2	American Office	198
43	5	American Office	161
04	16	American Comm. Closet	96
05	16	American Electrical Room	115
08	16	American Lounge	23,974
11	16	American Electrical Room	230
16	16	American Offices	1,127
24	17	American - Flight	8,577
25	17	Platinum Services - AA	3,094
01	18	American - Gate Control	2,221

All of the foregoing premises are collectively referred to as the "demised premises" unless otherwise provided. It is understood and agreed that Lessee accepts the demised premises together with the improvements thereon in the condition the same are in as of the date of commencement of the Lease or as the date of occupancy or use thereof, whichever first occurs.

It is further understood and agreed that with respect to those square footage areas set forth in Section 3F herein, Category VI (2001 Facilities), of the Lease, all square footage is approximate and shall be corrected to actual square footage upon completion of construction. Minor modifications to any area or category of the demised premises, not to exceed a cumulative total of ten percent (10%) of the actual square footage of same, may be made by the Board pursuant to written agreement with Lessee, and with an appropriate adjustment in rental, charges or credits, as applicable and consistent with the Lease, as amended, by way of increase or decrease as the case may be, and will not necessitate further approval by the City Council. Such minor modifications shall be reflected in a written addendum to the Lease, executed by the Executive Director and Lessee after approval as to form and legality by the Los Angeles City Attorney's Office."

Section 3. Clarification of Rent Credits.

By way of clarifying Section 4, Reservation of Certain Areas of the Demised Premises as City Areas, of the Lease, Lessee acknowledges and agrees that it is only eligible for rent credits, under the Lease, if any, for identifiable "Project Costs" associated with the construction of "City Areas" originally undertaken as Lessee's Improvements under the Lease as originally executed and delivered and shall not extend to any improvements made to the demised premises thereafter or any of the Lessee's 2001 Improvements.

Section 4. Term of the Lease.

Notwithstanding Section 5 of the Lease, the Lease shall terminate on the earlier of December 4, 2024, or the time that all bonds are paid, redeemed or defeased and interest thereon ceases to accrue; subject, however, to earlier termination, cancellation, expiration or suspension under the provisions of the Lease as amended and supplemented.

Section 5. Rent and Rental Adjustment.

(a) Subsections A through E of Section 6 of the Lease are hereby deleted and the following substituted therefor:

"Commencing on the effective date of this First Amendment and for the term of the Lease, subject to adjustments as provided in Section 6H as defined in paragraph (d) below, Lessee shall pay as rental the sums as set forth hereinafter.

A. Category I Space and Facilities. For the Category I Space and Facilities, Lessee shall pay \$225,330.35 per month, in advance, based on the schedule set forth in Exhibit "B," which is attached hereto and incorporated herein by this reference.

B. Category II Space and Facilities. For the Category II Space and Facilities, Lessee shall pay \$47,235.32 per month, in advance, based on the schedule set forth in Exhibit "B."

C. Category III Space. For the Category III Space, Lessee shall pay \$7,188.46 per month, in advance, based on the schedule set forth in Exhibit "B."

D. Category IV Space and Facilities. For the Category IV Space and Facilities, Lessee shall pay \$28,958.19 per month, in advance, based on the schedule set forth in Exhibit "B."

E. Category V Airspace. For the Category V Airspace, Lessee shall pay \$1.00 per year, in advance, based on the schedule set forth in Exhibit "B."

F. Category VI 2001 Facilities. For the Category VI 2001 Facilities, Lessee shall pay \$139,433.40 per month, in advance, based on the schedule set forth in Exhibit "B."

(a) Lessee shall pay, within ninety days of the execution of this First Amendment, \$4,526,021.89 representing back rent due for the additional spaces occupied during the period ending April 15, 2000.

(b) A reconciliation of space and square footage built from April 16, 2000 until the end of the construction of the category VI "2001 Facilities" shall be done by the City at the end of said construction or June 30, 2003, whichever shall occur first. Lessee shall provide the City, by the end of construction or June 30, 2003 as applicable, "as-built" drawings. City shall review said "as-built" drawings to determine the actual improvements made by Lessee, and shall calculate the new rental amount, including any retroactive rent. Lessee agrees to accept the City's final report regarding occupied spaces and square footage. If any retroactive rent is due under said reconciliation, Lessee shall pay that amount in a lump sum upon completion of the reconciliation.

(c) Subsections F and G of Section 6 of the Lease, as originally executed and delivered, shall be designated as Subsections G and H, respectively.

(c) In addition to Lessee's obligation as provided in paragraph (b), above, the City and Lessee acknowledge and agree that the rental rates are subject to adjustment for the period of November 11, 1999 through November 10, 2004 in accordance with Section 6G of the Lease, as originally executed and delivered, now known as Section 6H. The adjusted rental rates shall be applied and payable retroactively to November 11, 1999.

Section 6. Improvements and Alterations.

(a) The Executive Director has agreed to the construction of Lessee's 2001 Improvements. Subject to Section 9B of the Lease, Lessee shall use its best reasonable efforts to complete the construction of Lessee's 2001 Improvements by December, 2002, (excepting the American Lounge). Design plans and specifications for Lessee's 2001 Improvements have been approved by the Executive Director and are hereby incorporated by reference.

(b) Notwithstanding anything in the Lease, title to all Lessee's Improvements, including Lessee's 2001 Improvements, shall immediately vest in the City, subject to the provisions of Section 12, Title to Improvements, of the Lease.

(c) As required by Section 19 of the Lease, the Executive Director hereby consents to the sublease of the Lessee's Improvements, including the Lessee's 2001 Improvements, to the RAIC.

Section 7. Maintenance and Repair.

Sections 13 and 15 of the Lease are hereby deleted and the following substituted therefor:

(a) Subject to reimbursement therefor, as provided in Section 14 of the Lease, City shall, at its expense, operate and maintain in good working condition and repair, and keep in a

neat, clean, sanitary, and slightly condition, the Terminal 4 and the buildings, premises, and facilities as specified in Exhibit "D" which is attached hereto and incorporated herein by this reference. Lessee shall, at its expense, maintain - as distinguished from the obligations for reconstruction as provided in Section 16 of the Lease - those areas specified in Exhibit "D." Except as specifically identified in Exhibit "D" as City's responsibilities, Lessee is responsible for all maintenance and repair of the demised premises (including all improvements). Lessee shall maintain the premises in good and safe condition and working order, and in a clean, neat, sanitary, and attractive condition. All maintenance, repairs, and replacements shall be in accordance with applicable prevailing industry maintenance standards and in compliance with all manufacturers' recommendations and federal, state, and local statutes, rules, regulations, orders, ordinances or actions or amendments thereto.

(b) In addition to the foregoing costs of maintenance and repair, Lessee shall pay City for its direct costs expended for repairing all damages occasioned by the carelessness or negligence of the Lessee. City retains the right to make emergency repairs when, in the sole determination of the Executive Director, failure to take immediate action will materially damage facilities or disrupt operations.

(c) All direct and indirect charges, costs or fees for utility services used by Lessee in connection with the demised premises, including but not limited to deposits, connection fees, or charges and meter installation rentals required by the supplier of any such utility service, and the costs of all equipment and improvements necessary for connecting the demised premises to such utility service facilities, shall be paid by the Lessee. Lessee also waives any and all claims against the City for compensation for any and all loss or damage sustained by reason of any

defect, deficiency, or impairment of any water supply system, drainage or sewer system, gas supply system, telephone system, electrical supply system, or electrical apparatus or wires serving the demised premises.

(d) For clarification purposes, the parties agree that lines 4 and 5 in the first paragraph of Section 14 are hereby amended in part to read as follows: "...operating the areas specified in the Lease, as amended and supplemented, including the applicable portion of the costs of systems...."

Section 8. Duty to Refurbish.

The Executive Director may, at the Executive Director's sole option, during the tenth and twentieth years after the commencement date of this First Amendment, require Lessee to paint, refurbish, and repair as reasonably necessary the then existing improvements and facilities in the demised premises. Said repairs shall not exceed a cost to Lessee of Five Hundred Thousand Dollars (\$500,000) as adjusted by increases or decreases in the United States Department of Labor Bureau of Labor Statistics Producer Price Index for Finished Goods from the commencement date of this First Amendment to the time such repairs are required to be made. Notwithstanding anything above to the contrary, Lessee shall not be required to make such repairs if such repairs are necessitated by the acts or omissions of City, its officers, agents, servants, or employees.

Section 9. Additional Use of Demised Premises.

In addition and supplemental to the uses provided in Section 7 of the Lease, Lessee shall have the right to construct the Lessee's 2001 Improvements in accordance with the Lease and to use the demised premises in the following manner:

(a) The FIS Facilities.

(1) FIS Facilities. Lessee (along with other airlines in accordance with this Lease) shall have the right to use the FIS Facilities as and for the processing of both arriving and departing international passengers, including immigration and customs clearance, government offices, baggage processing, baggage conveyors, oversize baggage conveyors, baggage claim, baggage tunnels, passenger circulation, and baggage claim areas associated with arriving international passengers.

(2) Charges for Use of FIS Facilities and/or Gates. Lessee shall be entitled to charge other airlines using the Terminal 4 gates, and/or FIS Facilities, on a monthly basis, for their estimated pro rata share of Lessee's total costs (including debt service on borrowings used to finance or refinance the improvements, amortization, lease rental, maintenance and operating expenses, together with a not to exceed fifteen percent (15%) administrative charge) which are substantially related to such gates, and/or FIS Facilities, using standard and accepted accounting principles. It is understood and agreed that such costs shall not include any of Lessee's costs or expenses attributable to the construction of public space or concession areas. "Pro rata" as used herein shall mean that each airline's share of costs associated with its use of the Terminal 4 gates, and/or FIS Facilities, or any portion thereof, shall be assessed on the basis of its respective share of all passengers (including Lessee's) using said premises or portion thereof. Another airline may only be charged by Lessee for costs associated with the FIS Facilities if the airline uses the