

**UNITED  
CONTRACT**

**185395**

LEASE  
BETWEEN  
THE  
CITY OF LOS ANGELES  
AND  
UNITED AIRLINES, INC.  
(6000 – 6024 Avion Drive, Los Angeles)

## TABLE OF CONTENTS

	<u>Page</u>
<u>ARTICLE 1. SPECIFIC TERMS &amp; PROVISIONS</u>	
Section 1 Demised Premises .....	1
Section 2 Term of Lease .....	3
Section 3 Use of Demised Premises and Other Property .....	6
Section 4 Lessee Improvements .....	7
Section 5 Payments to City .....	16
Section 6 Notices .....	22
Section 7 Disclosure of Hazardous Substances .....	23
Section 8 Lease-Specific Provisions .....	24
Section 9 Existing Environmental Conditions .....	25
 <u>ARTICLE 2. STANDARD TERMS AND PROVISIONS</u>	
Section 51 Limitations on Use of Demised Premises .....	25
Section 52 Rental Payments .....	26
Section 53 Liquidated Damages for Delinquent Payment .....	27
Section 54 Utility Services .....	27
Section 55 Reports .....	28
Section 56 Audits .....	28
Section 57 Faithful Performance Guarantee .....	28
Section 58 Improvements and Alterations .....	29
Section 59 Liens .....	31
Section 60 Modification to Size of Demised Premises .....	32
Section 61 Ownership of Improvements .....	33
Section 62 Signs .....	33
Section 63 Maintenance and Repair of Demised Premises .....	34
Section 64 City's Right of Access and Inspection .....	35
Section 65 Insurance .....	35
Section 66 City Held Harmless .....	36
Section 67 Nondiscrimination and Equal Employment Practices/Affirmative Action Program .....	37
Section 68 Taxes, Permits and Licenses .....	39
Section 69 Assignments and Subleases .....	40
Section 70 Space Utilization .....	41
Section 71 Default .....	42
Section 72 Waiver .....	45
Section 73 Attorney's Fees .....	45
Section 74 Hazardous and Other Regulated Substances .....	45
Section 75 Airfield Security .....	47
Section 76 Business Tax Registration .....	48
Section 77 Laws, Rules, and Regulations .....	48
Section 78 Disabled Access .....	49
Section 79 Living Wage Ordinance and Service Contractor Worker	



	Retention Ordinances.....	49
Section 80	Child Support Orders .....	51
Section 81	Visual Artists' Rights Act.....	52
Section 82	Equal Benefits Ordinance .....	52
Section 83	Condemnation.....	53
Section 84	Miscellaneous Provisions.....	55
Section 85	First Source Hiring Program for Airport Employers (LAX Only) .....	58
Section 86	Other Agreements Not Affected .....	58
Section 87	Noise Abatement Procedures (applicable to LAX air carrier only).....	58
Section 88	Contractor Responsibility Program.....	59
Section 89	Alternative Fuel Vehicle Requirement Program (LAX Only).....	59
Section 90	Campaign Contributions .....	59
	SIGNATURE BLOCKS .....	60

### **EXHIBITS**

Exhibit A	Premises
Exhibit B	Payments (include FPG amount)
Exhibit C	Minimum Standards
Exhibit D	Maintenance
Exhibit E	Insurance
Exhibit F	Equal Employment Practices
Exhibit G	Affirmative Action
Exhibit H	Living Wage Ordinance/ Compliance
Exhibit I	Service Contract Worker Retention Ordinance
Exhibit J	Child Support Orders
Exhibit K	First Source Hiring Program For Airport Employers (LAX only)
Exhibit L	Contractor Responsibility Program
Exhibit M	Alternative Fuel Vehicle Requirement Program (LAX only)
Exhibit N	Project Labor Agreement
Schedule 7.3	Existing Environmental Conditions

**LEASE  
BETWEEN THE CITY OF LOS ANGELES,  
DEPARTMENT OF AIRPORTS AND UNITED AIRLINES, INC.  
AT LOS ANGELES INTERNATIONAL AIRPORT**

[6000 – 6024 Avion Drive, LAX]

This LEASE (the “Lease”) is made and entered into as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ (“Effective Date”), at Los Angeles, California, by and between the **CITY OF LOS ANGELES**, a municipal corporation, acting by order of and through its Board of Airport Commissioners (the “Board”) of the **DEPARTMENT OF AIRPORTS** also known as Los Angeles World Airports or LAWA (hereinafter referred to as “City”), and **UNITED AIRLINES, INC.** (hereinafter referred to as “Lessee”) (sometimes herein referred to individually as a “party” or together as “parties”).

**RECITALS**

A. Lessee currently operates two on-airfield aircraft maintenance facilities at Los Angeles International Airport (“Airport” or “LAX”) at: (i) 7300 World Way West pursuant to lease LAA-8947, and at (ii) 6000 - 6024 Avion Drive, currently pursuant to a Los Angeles International Airport, Airport Facilities Use Terms and Conditions permit (the “Existing UTC”), and prior to the Existing UTC, continuously pursuant to leases LAA-7264, LAA-5462, LAA-4206, LAA-309, LAA-255, Lease No. 1169 and other earlier leases (collectively, “Previous Leases”).

B. On October 20, 2016, the Board approved a replacement lease with Lessee for premises at 7300 World Way West (“Lease LAA-8947”) to enable Lessee to continue operations while Lessee constructs a new aircraft maintenance facility at 6000 – 6024 Avion Drive.

C. The parties have agreed to enter into this lease to support Lessee in relocating and consolidating its operations from its existing aircraft maintenance facilities on the premises of Lease LAA-8947 to a redeveloped aircraft maintenance and ground support equipment facility at 6000 – 6024 Avion Drive.

The parties hereto, for and in consideration of the foregoing recitals, and the covenants and conditions hereinafter contained to be kept and performed, DO HEREBY AGREE AS FOLLOWS:

**ARTICLE 1. SPECIFIC TERMS AND PROVISIONS**

**Section 1. Demised Premises.**

The subject property, commonly known as 6000 – 6024 Avion Drive, Los Angeles, California, is located at the Airport, and comprised of “Parcel A”, and “Parcel B”, and includes on-airport land, aircraft paving and improvements as follows:

1.1 **Parcel A.** Parcel A, as identified in Exhibit A, consists of:

- (i) "Parcel A Land" consisting of approximately 1,371,348 square feet of on-airport maintenance land;
- (ii) "Parcel A Paving" consisting of: (a) approximately 1,108,277 square feet of aircraft paving; and b) approximately 125,057 square feet of automobile paving; and
- (iii) "Parcel A Improvements" consisting of: (x) a 56,385 square foot hangar; (y) a 75,883 square foot office; (z) 3,476 square foot paint booth; and (d) other ancillary facilities.

1.2 **Parcel B.** Parcel B, as identified in Exhibit A, is a paved area containing approximately 70,756 square feet of land ("Parcel B Land") and collectively with Parcel A Land, "Land") and improved with approximately 70,756 square feet of asphalt paving ("Parcel B Paving") and collectively with Parcel A Paving, "Paving").

The Land, Paving and Improvements are collectively referred to herein as "Demised Premises". The Demised Premises are collectively depicted and outlined in bold on Exhibit A. Demised Premises' use categories and respective square footage are also identified on Exhibit B both of which are attached hereto and incorporated by reference herein.

1.3 **City's Expansion Option for Parcel C.** Upon thirty (30) days' prior written notice to Lessee, the Chief Executive Officer of the Department of Airports (hereinafter referred to as "Chief Executive Officer" or "CEO") may, in his or her sole discretion, add to the Demised Premises the property in that section of a paved road known as Avion Drive identified in Exhibit A as "Parcel C", with approximately 41,557 square feet of land and approximately 41,557 square feet of asphalt paving ("Expansion Option"). If the CEO exercises the Expansion Option, then the rent shall be adjusted to reflect the addition of Parcel C, and Exhibit B, will be updated to reflect the adjusted rent. The exercise of such Expansion Option shall not require an amendment to this Lease and shall not require the prior approval or later ratification by the Board or the Los Angeles City Council.

1.4 **City's Takeback Options.** Upon 60 days' prior written notice to Lessee, City may require Lessee to surrender all or part of the portion of the Demised Premises depicted on Exhibit A as Takeback Area #1 (as defined below in Subsection 1.4.1), and/or surrender all or part of the portion of the Demised Premises depicted on Exhibit A as Takeback Area #2 (as defined below in Subsection 1.4.2), and/or surrender all or part of the portion of the Demised Premises depicted on Exhibit A as Takeback Area #3 (as defined below in Subsection 1.4.3), in which case the rent shall be adjusted to reflect the surrender of Takeback Area #1 ("Takeback Area #1 Option") and/or the surrender of Takeback Area #2 ("Takeback Area #2 Option") and/or the surrender of Takeback Area #3 ("Takeback Area #3 Option"), and Exhibit B will be updated to reflect the adjusted rent. The exercise of such Takeback Area #1 Option and/or Takeback Area #2 Option and/or Takeback Area #3 Option shall not require an amendment to this Lease and shall not require the prior approval or later ratification by the Board or the Los Angeles City Council. For Takeback Area #3 only, City will make reasonable efforts to provide additional space adjacent to the remaining demised premises that can accommodate parking of up to two wide-body aircraft.

1.4.1 Takeback Area #1, as identified in Exhibit A, is a portion of Parcel A, and consists of a strip of land and paving, with dimensions approximately 100 feet wide by 967 feet long, along the easterly portion of the southern boundary of Parcel A. Takeback Area #1 is comprised of:

- (i) approximately 96,942 square feet of on-airport maintenance land;
- (ii) approximately 96,942 square feet of aircraft paving.

1.4.2 Takeback Area #2, as identified in Exhibit A, is a portion of Parcel A, and consists of a strip of land and paving, with dimensions approximately 100 feet wide by 656 feet long, along the westerly portion of the southern boundary of Parcel A. Takeback Area #2 is comprised of:

- (i) approximately 65,588 square feet of on-airport maintenance land;
- (ii) approximately 65,588 square feet of aircraft paving.

1.4.3 Takeback Area #3, as identified in Exhibit A, is a portion of Parcel A, consisting of land and paving, along the western boundary of Parcel A. Takeback Area #3 is comprised of:

- (i) approximately 433,674 square feet of on-airport maintenance land;
- (ii) approximately 433,674 square feet of aircraft paving.

1.5 **Acceptance and Surrender.** Except as otherwise provided in Article 2, Section 74.2 (Environmental Indemnity), it is understood and agreed that Lessee accepts the Demised Premises in an "AS-IS, WHERE-IS, WITH ALL FAULTS" condition. Lessee agrees to surrender the Demised Premises upon the expiration or earlier termination of this Lease in a broom-clean condition, except as modified in accordance with Section 4.1 (Optional Lessee Improvements), Article 2, Section 58 (Improvements and Alterations), Article 2, Section 60 (Modification to Size of Demised Premises), Article 2, Section 62 (Signs), and Article 2, Section 63 (Maintenance and Repair of Demised Premises) or any other modifications made pursuant to this Lease, ordinary wear and tear excepted.

## **Section 2. Term of Lease.**

2.1 This Lease shall commence on the first day of the month following full execution by City and Lessee ("Commencement Date"), and shall expire thirty (30) years from the Commencement Date, unless earlier terminated pursuant to the terms provided in this Lease. Notwithstanding the foregoing, if Lessee has not constructed and completed Optional Lessee Improvements pursuant to Section 4.1 below with a Qualified Investment (as defined in Section 4.3) of not less than One Hundred Million Dollars (\$100,000,000) within five (5) years after the Commencement Date, then City shall have the right to terminate this Lease upon ninety (90) days' prior written notice to the Lessee. Further, City may terminate this Lease pursuant to City's Operational Termination Option in Subsection 2.1.2 below or its Buyback Right under Subsection 4.6.1.3 below.

2.1.1. Intentionally Omitted.

2.1.2 City's Termination Option-Operational Need. Subject to Subsection 2.1.3, City reserves the right to terminate the whole or any portion of the Lease in the event that City determines, in its sole discretion, that a material bona fide safety concern, security concern, or Airport operational requirement necessitates said termination (the "Operational Termination Option"). City shall have the right to terminate the Lease, in whole or in part, as provided in this Subsection 2.1.2, upon not less than 36 months' prior written notice in the case of a termination of the Lease in whole and not less than 6 months' prior written notice in the case of a partial termination of the Lease. For purposes of this Subsection 2.1.2, a partial termination of a portion of the Lease that would materially impair the Lessee's use and operation of the Demised Premises for an aircraft maintenance facility would constitute and be treated as a termination of the Lease in whole. Upon termination of the Lease in whole or in part, City shall pay to the Lessee the Termination Fee (as defined in Subsection 2.1.3 below). In addition, City shall be responsible for all reasonable costs incident to the redemption and/or defeasance of any Bonds (as defined in Section 4.6 below) on account of City's exercise of the Operational Termination Option including, without limitation, attorneys' fees and Bond trustee fees. For the avoidance of doubt, nothing in this Subsection 2.1.2 shall apply to any of City's takeback options under Section 1.4 above.

Upon City's payment of the Termination Fee, all improvements for which Lessee has been compensated, and not already owned by City, shall be owned by City (except as to any Optional Lessee Improvements disclaimed by City in writing, which Lessee shall remove, subject to the Lessee receiving reimbursement for its reasonable cost of removing the disclaimed Optional Lessee Improvements), and, as appropriate, the Lease shall terminate effective upon the City's payment of the Termination Fee, provided that nothing herein shall affect Lessee's liability for any of its acts or omissions prior to such termination. Upon Lessee's written request in the case of the termination of the Lease in whole, City shall use best efforts to identify alternative space for the hangar and parking of Lessee's aircraft, and subject to availability of such space, and approval by the Board and City Council as may be required, City shall use good faith efforts to lease or license such alternative space to Lessee.

For the avoidance of doubt, should City cancel the Lease pursuant to Article 2, Section 70.3 (Cancellation), Subsections 2.1.2 and 2.1.3 shall not apply.

2.1.3 Termination Fee. If City exercises its Operational Termination Option or its Buyback Right, then City shall pay Lessee the Termination Fee. The "Termination Fee" shall be equal to (a) the amount of the Remaining Qualified Investments (as defined below), plus (b) in the event the City exercises its Buyback Right or Operational Termination Option prior to the first date on which any then-outstanding Bonds can be called for redemption, which redemption date can be no later than 10 years after the issuance of such Bonds, the City shall deposit an additional amount, if necessary, with the Bond trustee to be sufficient, together with the Remaining Qualified Investment, to pay the principal amount of the Bonds to be outstanding on the redemption date plus any interest to accrue on the Bonds from and including the date the City deposits the

Termination Fee with the Bond trustee through, but not including, the date such Bonds are to be redeemed. The City agrees to not take any action nor fail to take any action in connection with the defeasance and/or redemption of the Bonds that would adversely affect the exclusion of interest on the Bonds from gross income of the holders thereof for federal income tax purposes. "Remaining Qualified Investments" shall mean the undepreciated portion of the Qualified Investments (as defined in Section 4.3) depreciated monthly on a straight-line basis from the date that Lessee receives a Certificate of Occupancy, a Temporary Certificate of Occupancy, or Certificate of Substantial Completion AIA Document G704 for such Qualified Investments, whichever comes first, to the expiration of the Term (which term shall not include any Option Terms), less any reimbursement received by Lessee for Qualified Investments through any form of consideration, including cash or rent credit, but excluding proceeds from Bond Financing.

2.2 If Lessee remains in possession of all or any part of the Demised Premises after the expiration of the term hereof, with or without the express or implied consent of City, such tenancy shall be from month to month only, and not a renewal hereof or an extension for any further term, and in such case, rent and other monetary sums due hereunder shall be payable in the amount of one hundred fifty percent (150%) of the rent paid for the last month of the lease period plus any other charges payable hereunder at the time specified in this Lease and such month to month tenancy shall be subject to every other provision, covenant and agreement contained herein, including any applicable rental adjustments as set forth in this Lease, provided that: (a) City or Lessee may terminate such month-to-month tenancy upon thirty (30) days' notice, and (b) the Periodic Adjustment to Fair Market Rental will be determined by City in its sole discretion. Acceptance by City of rent after such expiration or earlier termination shall not constitute a holdover hereunder or result in a renewal. The foregoing provisions of this Section 2.2 are in addition to and do not affect the right of re-entry or any right of City hereunder or as otherwise provided by law, and in no way shall such provisions affect any right which City may otherwise have to recover damages from Lessee for loss or liability incurred by City resulting from such failure by Lessee to surrender the Demised Premises. Nothing contained in this Section 2.2 shall be construed as consent by City to any holding over by Lessee, and City expressly reserves the right to require Lessee to surrender possession of the Demised Premises to City as provided in this Lease upon the expiration or other termination of this Lease.

2.3 City has notified Lessee that the timeliness of Lessee's surrender of the Demised Premises on or before the expiration of this Lease is a material consideration for this Lease. Lessee represents to City that Lessee shall timely vacate the Demised Premises in the condition specified in Section 1.5 above on or before the expiration or termination of this Lease, and City is relying upon Lessee's representation in entering into this Lease. The Parties acknowledge that the damages for any untimeliness of Lessee's surrender of the Demised Premises are difficult to calculate. If Lessee fails to surrender and vacate the Demised Premises in the condition specified in Section 1.5 above on or before the expiration of this Lease, then Lessee's Performance Guarantee under Article 2, Section 57 (Faithful Performance Guarantee) shall be forfeited to City as liquidated damages for the untimeliness of Lessee's surrender of the Demised Premises. Such remedy shall not be deemed to constitute City's consent to a holdover and shall be in addition to any other remedy available under this Lease and under applicable law, including, but not limited to, Section 2.2.



### **Section 3.     Use of Demised Premises.**

3.1     **Authorized Uses.** The use of the Demised Premises is limited to:

- maintenance of regularly scheduled aircraft or commercial service aircraft of Lessee and other aircraft operators;
- maintenance of ground service equipment (“GSE”);
- support offices,
- other uses related to aircraft maintenance and ground services equipment maintenance, including aircraft parking.
- operation of non-scheduled flight operations categorized by FAR Part 121 Supplemental Operations.

3.2     **Unauthorized Uses.** Lessee expressly acknowledges that the Demised Premises shall not be used for any use other than that specified in Section 3.1, without the prior written consent of the CEO. Without limitation to the foregoing, Lessee shall not use the Demised Premises for any purpose that is contrary to the Leasing Policy and Minimum Standards, or that constitutes waste or nuisance, or that would unreasonably annoy other occupants or invitees of Airport.

3.3     **Minimum Standards.** Use of the Demised Premises will be subject to and Lessee agrees to comply fully with minimum standards (“Minimum Standards”) which are attached hereto and incorporated by reference herein as Exhibit C, provided that Lessee does not waive its right to seek relief from a court of competent jurisdiction to the extent that such Minimum Standards are contrary to Applicable Laws or this Lease.

3.4     **Access to Demised Premises.** Throughout the term of this Lease, Lessee and its affiliates and their respective agents, servants, employees, contractors, licensees and business invitees (collectively “Lessee Entities”), shall have ingress and egress to and from the Demised Premises subject to the Lessee Entities’ compliance with all applicable City rules and regulations, including the Certified Service Provider Program (as may or may not be applicable in accordance with the CSPP’s terms). Such access to the Demised Premises by Lessee Entities shall also be subject to airfield access control and permitting requirements as may be established by City and/or federal agencies and temporary blockage or redirection due to Airport security, Airport construction, and Airport operational necessity, provided that City shall use best efforts to minimize disruption to Lessee’s operations on the Demised Premises.

3.5     **Non-Exclusive Use of Common Airfield Access Road.** Throughout the term of this Lease, City and lessees or facility users of premises adjacent to Demised Premises (collectively, “Adjacent Entities”) and Lessee shall have the non-exclusive right to use the airfield vehicle service road adjacent to the easterly property line of the Demised Premises.

3.6     **Non-Exclusive Use of Common Landside Access Road.** Throughout the term of this Lease, City, Adjacent Entities, the public and Lessee shall have the non-exclusive right to use the landside paved road known as Avion Drive, including that portion referred herein as Parcel C,

unless Parcel C is included within the Demised Premises pursuant to the Expansion Option in Section 1.3, in which case Lessee shall have exclusive right to use Parcel C.

#### **Section 4. Lessee Improvements.**

4.1 **Optional Lessee Improvements.** Subject to the terms of this Lease, including but not limited to Article 2, Section 58 (Improvements and Alterations), Lessee, at its sole cost and expense, and at no cost to City, may construct improvements on the Demised Premises (such improvements, "Optional Lessee Improvements") subject to the CEO's prior written approval and provided further that Lessee shall have first complied with all Applicable Laws and secured all required governmental approvals at its sole cost and expense, including compliance with the California Environmental Quality Act (CEQA) or the National Environmental Policy Act (NEPA). Lessee shall not commence any construction unless and until City has completed CEQA and NEPA review and approved a proposed improvement. Lessee acknowledges that review under CEQA and NEPA may include identification of mitigation measures for, and alternatives to, any proposed improvements, including the "no project" alternative, and the City retains discretion with regard to approval of proposed improvements, provided that Lessee will not be obligated to pursue alternatives by City other than a "no project" alternative.

The amount of investment, scope, and deadline of such Optional Lessee Improvements shall require the CEO's prior written approval and compliance with the provisions of Article 2, Section 58 (Improvements and Alterations).

If Lessee opts to construct the improvements, Lessee shall comply with this Section 4, including Section 4.3 (Qualified Investments) and Section 4.6 (Compliance), for all Lessee Improvements.

Lessee shall maintain the Optional Lessee Improvements in compliance with all Applicable Laws for the duration of the Lease. The obligations under this Section 4.1 shall not be construed to limit the Lessee's obligations under the terms of this Lease including but not limited to Article 2, Section 63 (Maintenance and Repair of Demised Premises).

#### **4.2 Right of Entry.**

4.2.1 Subject to Section 4.1 above, City may, at the CEO's sole discretion, grant Lessee a right of entry, in the form approved by City Attorney, to certain public areas adjacent to the Demised Premises, at no monetary cost, for purposes of completing access or roadway improvements in connection with the Optional Lessee Improvements.

4.3 **Qualified Investments.** Amounts expended by Lessee for Optional Lessee Improvements on the Demised Premises shall be deemed Qualified Investments if: (i) such amount has been actually incurred by Lessee; (ii) such amount has been approved in writing by the CEO in advance of any construction; (iii) such improvements have been constructed in accordance with Article 2, Section 58 (Improvements and Alterations); (iv) such amount is for Permissible Costs (as defined below); and (v) such amount has been verified in accordance with Section 4.4 below.



4.3.1 “Permissible Costs” shall mean the actual cost of demolition of improvements existing at the Commencement Date, design, and construction of any new improvements from time to time located on the Demised Premises, plus the cost of required bonds, construction insurance, building, and other similar fees related to the construction and financing of such improvements incurred by Lessee, including the cost of issuance of any Bonds and capitalized interest unless such costs are covered by the City’s deposit of amounts for the redemption and/or defeasance of the Bonds. Payments made by Lessee to independent contractors for engineering and architectural design work shall be included as Permissible Costs, provided that such costs shall not exceed twenty percent (20%) of the aggregate amount of Qualified Investments. Amounts paid to any Lessee Entity shall be a Permissible Cost only to the extent that the amounts paid are (i) fair and are otherwise no less favorable to Lessee than would be obtained in a comparable arm’s-length transaction with an unrelated third party, or (ii) specifically approved in writing by the CEO upon the separate written request of the Lessee made prior to incurring such costs.

4.3.2 Only payments made by Lessee and Lessee’s contractors and subcontractors (without duplication) may be included as Permissible Costs. Any costs incurred by any sublessee, licensee or other occupant of any portion of the Demised Premises, other than Lessee, shall not constitute Permissible Costs. Costs associated with acquisition or installation of items that are not permanently affixed to the Demised Premises shall not be Permissible Costs.

4.4 **Verification**. To be deemed a Qualified Investment, amounts spent by Lessee must be verified by City, and must meet the following conditions:

4.4.1 The expenditure must be submitted to City for verification within one hundred twenty (120) calendar days following the earlier to occur of the following, to the extent applicable with respect to the Optional Lessee Improvements: (a) Lessee’s receipt of a Certificate of Substantial Completion AIA Document G704 Form, (b) Lessee’s receipt of certificate of occupancy, or temporary certificate of occupancy; (c) the final completion of the improvements.

4.4.2 Lessee must provide to City a schedule of all expenditures, which schedule shall show line item detailed information as to each cost, including, but not limited to, description, payee and date of payment. Lessee shall be responsible for providing reasonable documentation to City indicating that the amounts were expended (including, but not limited to, copies of returned checks or records of electronic funds transfers and lien waivers, if requested), and that they are true and correct. City, at its option, may conduct an audit of such expenditures, or may engage, at Lessee’s expense, a CPA firm to conduct such audit.

4.4.3 Within five (5) years following the completion of the Optional Lessee Improvements, City may, at its sole discretion and with 30 days’ prior written notice to Lessee, require Lessee to provide access to all records and other information necessary to perform an audit of fees and charges paid toward any or all of the Optional Lessee Improvements. City, at its option, may conduct an audit of such expenditures, or may engage, at Lessee’s expense, a CPA firm to conduct such audit.

4.5 **Costs.** Lessee expressly agrees to pay all costs and expenses, direct and indirect, associated with any lessee improvement ("Lessee Improvements"), including, but not limited to, all costs associated with inspection, design and engineering and other professional or consultant services, permitting and inspection fees, project financing, utility relocation and upgrading, environmental impact reports, and other costs related to the Lessee Improvements. Without limiting the foregoing, if any of the Lessee Improvements to the Demised Premises cause any authority having jurisdiction to require upgrades or repairs to areas or facilities inside or outside of Lessee's Demised Premises, then Lessee shall be solely responsible for the cost of such upgrades or repairs. Lessee shall have the option to perform, or cause to be performed at its sole cost, any such upgrades or repairs, but if any such upgrades or repairs are performed by City, then Lessee shall pay for the cost of such upgrades or repairs, plus an administrative fee of 15%.

4.6 **Financing of Optional Lessee Improvements.** Lessee has advised City that some or all of the acquisition, construction or installation of the Optional Lessee Improvements may be financed through the proceeds of tax-exempt obligations (such obligations, "Bonds"), issued by the California Municipal Finance Authority ("CMFA") or a similar financing authority (a "Bond Financing"), which financing will require the City's consent. City is willing and able to cooperate reasonably with Lessee's efforts to implement such financing of the Optional Lessee Improvements subject to the limitations set forth in this Lease.

4.6.1 **Bond Financing Documents.** If the Lessee finances some or all of the acquisition, construction or installation of the Optional Lessee Improvements (such improvements, the "Financed Improvements") by using CMFA or a similar financing entity (the "Issuer"), City and Lessee agree to the following with respect to any financing documents related to any Bond Financing:

4.6.1.1 Lessee agrees to provide the CEO with a summary of the plan of finance and all financing documents related to the issuance of Bonds (the "Bond Financing Documents") by either CMFA or a similar financing authority as soon as practicable after Lessee determines to finance any costs of the Financed Improvements with the proceeds of Bonds. Lessee further agrees to make representatives of Lessee available to discuss the plan of finance with the CEO. Prior to proceeding with the issuance of any Bonds, Lessee shall have received the prior written approval of City.

4.6.1.2 Lessee agrees to provide the CEO with copies of the Bond Financing Documents as soon as they are available and to provide the CEO with a reasonable opportunity, of at least 14 days, to review and comment on such Financing Documents in order to ensure compliance and conformance with the terms of this Lease. If an additional period of time is necessary, the CEO shall notify the Lessee of the additional amount of time needed to complete the review of the Bond Financing Documents. Lessee further agrees to reimburse the City for all costs reasonably incurred by City associated with the review of the Bond Financing Documents.

4.6.1.3 In the event any Bond Financing is used for the acquisition, construction or installation of the Financed Improvements, City may, to the extent permitted by law, purchase from the Lessee all of its interests in and possession of the Demised Premises under the Lease and the facilities and the Financed Improvements thereon by paying the Termination Fee. Such purchase of the Lessee's interest in and possession of the Demised Premises under the Lease and the facilities and Financed Improvements thereon is hereinafter referred to as the City's "Buyback Right". City shall exercise its Buyback Right hereunder, if at all, by (i) giving not less than 36 months' prior written notice to Lessee and the Bond trustee, and (ii) paying the Termination Fee in accordance with Subsection 4.6.1.6 below. In addition, City shall be responsible for all reasonable costs incident to the redemption and/or defeasance of all such Bonds including, without limitation, attorneys' fees and Bond trustee fees. Except as otherwise provided in Subsection 2.1.3, the Bonds will need to be subject to redemption within 60 days of the City's deposit of the Termination Fee into the escrow account held by the Bond trustee as set forth in Subsection 4.6.1.6 below. Upon the earlier of defeasance and/or redemption of the Bonds, this Lease and Lessee's interest in the Demised Premises shall terminate and City may thereafter use the Demised Premises for any purpose. The Lessee agrees to take the necessary actions to facilitate the timely delivery of any redemption notices and/or defeasance notices by the Bond trustee and the Issuer. The City agrees to not take any action nor fail to take any action in connection with the defeasance and/or redemption of the Bonds that would adversely affect the exclusion of interest on the Bonds from gross income of the holders thereof for federal income tax purposes.

4.6.1.4 Any Bonds issued in connection with a Bond Financing will mature no later than thirty (30) years from the Commencement Date.

4.6.1.5 The Bond Financing Documents shall provide for a redemption notice period of not less than thirty (30) days prior to the redemption date to the bondholders and not less than forty-five (45) days prior to the redemption date to the Bond trustee (or such shorter notice period that is regarded as market-standard at the time of Bond issuance).

4.6.1.6 City shall pay the Termination Fee amount into escrow with the Bond trustee at least fifteen (15) days before the date of the Bond redemption notice to the Bond trustee. If the Termination Fee is insufficient to redeem the outstanding principal, accrued interest, and premium on the Bonds, then Lessee shall pay such deficit amount into escrow with the Bond trustee no earlier than the City's payment of the Termination Fee and no later than the day before issuance of the Bond redemption notice to the Bond trustee. Any monies remaining in escrow following redemption of the Bonds shall be paid to Lessee.

4.6.1.7 City acknowledges that Lessee may desire to refinance the Bonds during the term of this Lease. Any such refinancing will not be permitted without the consent of the City, which consent shall not be unreasonably withheld if such

refinancing will substantially meet the requirements of this Section 4.6 taking into consideration adjustments due to the shorter remaining term.

4.6.1.8 Lessee hereby elects not to claim depreciation or an investment credit for federal income tax purposes with respect to any portion of the Finance Improvements; Lessee will take all actions necessary to make this election binding on all its successors in interest under this Lease, and this election shall be irrevocable.

4.6.2 Mortgages and Other Encumbrances. Notwithstanding any other provision of this Lease, Lessee shall have the right to assign Lessee's interest in this Lease for security and/or encumber Lessee's interest in the leasehold estate hereby created, with the prior written consent of the CEO, approved as to form by the City attorney, by mortgage, pledge, deed of trust, or other instrument (a "Leasehold Mortgage") to a reputable Bond trustee as determined in the sole judgment of the CEO or approved by the Board (a "Leasehold Mortgagee") for the purpose of financing or refinancing the acquisition, construction or installation of some or all of the Optional Lessee Improvements, including any betterments or additions thereto (collectively, a "Leasehold Financing"). In such event, upon Lessee's written request to the CEO, City shall execute an estoppel certificate in form and substance reasonably satisfactory to City and Leasehold Mortgagee. Any Leasehold Financing attempted without the prior written consent of the CEO shall be null and void and shall be a Default Event under this Lease. In connection with Lessee's request for consent to any such Leasehold Financing, Lessee shall submit for the CEO's prior review and written approval any and all instruments and documents to be executed by, or binding upon, Lessee in connection therewith (the "Leasehold Financing Documents"). In the event such Leasehold Financing is approved in writing by the CEO and this Lease is so assigned, Lessee's interest in the leasehold estate hereby created is so encumbered, 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 any manner limited, restricted, modified, or affected by reason of the terms or provisions of the Leasehold Financing Documents. The only rights of any such Leasehold Mortgagee under an approved Leasehold Financing shall be as follows:

4.6.2.1 A Leasehold Mortgagee under an approved Leasehold Mortgage shall not be entitled to any notice required to be given by City to Lessee under the provisions of Article 2, Section 71 (Default Events) unless Lessee designates by written notice to City that notices of Default Events or notices to cure Default Events under this Lease are to be sent to such lender's address, as well as to Lessee's address as set forth in Section 6.

4.6.2.2 In the event of any Default Event by Lessee under the provisions of this Lease:

4.6.2.2.1 the Leasehold Mortgagee will have the same periods as are given Lessee for remedying such Default Event or causing it to be remedied, plus, in each case, provided that the Leasehold Mortgagee shall

pay all unpaid Monthly Rent under this Lease and, to the extent susceptible of cure by the Leasehold Mortgagee, shall promptly commence and diligently pursue to completion any cure with respect to any other acts required to be performed by Lessee under this Lease, an additional period of sixty (60) days after the expiration thereof or after City has served a notice or copy of a notice of such Default Event upon the Leasehold Mortgagee, whichever is later;

4.6.2.2.2 the Leasehold Mortgagee, without prejudice to its rights against Lessee, shall have the right to make good such Default Event within the applicable grace periods provided for in Subsection 4.6.1.2.1 whether the same consists of the failure to pay Monthly Rent or the failure to perform any other matter or thing which Lessee is hereby required to do or perform, and City shall accept such performance on the part of the Leasehold Mortgagee as though the same had been done or performed by Lessee; for such purpose City and Lessee hereby authorize the Leasehold Mortgagee to enter upon the Demised Premises and to exercise any of its rights and powers under this Lease and, subject to the provisions of this Lease, under the Leasehold Mortgage; and

4.6.2.2.3 In the event of any Default Event by Lessee other than in the payment of Monthly Rent under this Lease, and if prior to the expiration of the applicable grace period specified in Subsection 4.6.2.2.1, the Leasehold Mortgagee shall give City written notice that Leasehold Mortgagee intends to undertake the curing of such Default Event, or to cause the same to be cured, or to exercise its rights to acquire the leasehold interest of Lessee by foreclosure or otherwise, and shall immediately commence and then proceed with all due diligence to do so, whether by performance on behalf of Lessee or its obligations under this Lease, or by entry on the Demised Premises by foreclosure or otherwise, then so long as Lessee or Leasehold Mortgagee remains current in the payment of Monthly Rent due under this Lease, City will not terminate or take any action to effect a termination of the Lease or reenter, take possession of or relet the Demised Premises or similarly enforce performance of this Lease in a mode provided by law so long as the Leasehold Mortgagee is with all due diligence and in good faith engaged in the curing of such Default Event, or effecting such foreclosure; provided, however, that the Leasehold Mortgagee shall not be required to continue such possession or continue such foreclosure proceedings if such Default Event shall be cured.

4.6.2.3 If Lessee files with the CEO 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 an approved Leasehold Mortgagee, 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, subject to any



limitations imposed under Applicable Law on the right to use such proceeds to pay off the indebtedness evidenced by the Leasehold Mortgage Documents imposed under Applicable Laws, such approved Leasehold Mortgagee shall be entitled to the distribution of the insurance proceeds, if any, payable to Lessee to the extent of such Leasehold Mortgagee's interest therein.

4.6.2.4 So long as any monetary Default Events under this Lease have been cured, the Leasehold Mortgagee shall have the right to succeed to Lessee's interest in the leasehold estate herein created 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 or foreclosure and such Leasehold Mortgagee may assign said leasehold estate to a third party transferee ("Successor by Leasehold Mortgage") with the prior written consent of the Board, provided that, in each case, (i) the Successor by Leasehold Mortgage and/or its principal or management company shall possess sufficient financial capability to perform the remaining obligations under the Lease as they come due, and (ii) the Successor by Leasehold Mortgage and/or its principal, management company or the executives of the Successor by Leasehold Mortgage or management company must either be lessees at the Airport in good standing and not in default under their leases or have at least five (5) years of experience managing or owning an aircraft maintenance facility or fixed base operations at an airport with aircraft operations of the character and type of users reasonably comparable to the Airport. However, at the time of such assignment to a Successor by Leasehold Mortgage, the Leasehold Mortgagee shall pay the City 50% of any revenue or other monetary or economic consideration, resulting from such assignment that is greater than the outstanding unpaid amount secured by such Leasehold Mortgage. Upon such succession to or taking over of the leasehold estate, such Successor by Leasehold Mortgage shall be bound by all of the terms, conditions, and covenants of this Lease, including Article 2, Section 69 (Assignment and Subletting), and shall continue the operation on the Demised Premises only for the purposes provided in Section 3 hereof or for such purpose as the CEO may, at that time, authorize in writing; and provided further, no succession by a Successor by Leasehold Mortgage shall release Lessee from its obligations hereunder.

4.6.2.5 Once a Leasehold Mortgage and the Leasehold Financing Documents are approved, two (2) copies of any and all Leasehold Financing Documents shall be filed with City at least two (2) weeks prior to the effective date thereof, and Lessee shall obtain the CEO's prior written consent of any changes or amendments thereto. Upon and immediately after the recording of any approved Leasehold Financing Documents, Lessee shall cause to be recorded in the Office of the County Recorder for the County of Los Angeles a request for a copy of any notice of Default Event and of any notice of sale, as provided in Section 2924b of the Civil Code of the State of California, duly executed and acknowledged by City and specifying that said notice be mailed to City at the address set forth in Section 6.

4.6.2.6 Consent by the CEO to one Leasehold Mortgage or one Leasehold Mortgagee shall not be a waiver of City's rights under this Section as to any subsequent Leasehold Financing or assignment or other transfer by such Leasehold Mortgagee, and any such subsequent Leasehold Mortgage or successor Leasehold Mortgagee shall be subject to City's review and approval in accordance with the terms and conditions of this Lease. This prohibition against the transfer of any Leasehold Mortgagee's interest includes any transfer which would otherwise occur by operation of law. Notwithstanding the foregoing, consent by the CEO or the City shall not be required in the event of any assignment or other transfer by the Leasehold Mortgagee upon or arising from a merger, consolidation, or sale of substantially all the assets of such Leasehold Mortgagee, provided Lessee shall give City at least 10 days' prior written notice of the pending assignment or other transfer, including the name of the proposed Leasehold Mortgagee. Lessee shall also notify City within 5 days after the transfer or assignment has been finalized.

4.6.3 Indemnification. The Lessee shall indemnify the City, and its officers, agents and employees from, and defend the same against, any and all liens, liability expenses (including attorney's fees) losses, judgments and claims of third parties arising from the Leasehold Financing and/or Bond Financing.

4.7 Compliance. In Lessee's construction of the Optional Lessee Improvements, Lessee will comply with all Applicable Laws.

4.7.1 Prevailing Wage. Construction, alteration, demolition, installation, repair or maintenance work performed on the City's property may require payment of prevailing wages in accordance with federal or state prevailing wage and apprenticeship laws. The Lessee is obligated to make the determination as to whether prevailing wage laws are applicable, and shall be bound by and comply with all applicable provisions of the California Labor Code and federal, state and local laws related to labor. The Lessee shall indemnify and pay or reimburse the City for any damages, penalties or fines (including, but not limited to, attorneys' fees and costs of litigation) that the City incurs, or pays, as a result of noncompliance with applicable prevailing wage laws in connection with the work performed by the Lessee or its contractors for the Optional Lessee Improvements.

4.7.2 Warranty. The Lessee shall require any professional services provided for the design and/or engineering of the Optional Lessee Improvements to conform to the professional standards applicable to respective industry. The Lessee shall require any contractors or suppliers of materials and equipment for the Optional Lessee Improvements to warrant, for the applicable statute of repose, that such materials and equipment will be new and of good quality unless otherwise specified, and that all workmanship will be of good quality, free from faults and defects and in conformance with the design documents approved by the City of Los Angeles Department of Building and Safety. Further, any remaining warranties at Lease expiration or termination shall be assigned by Lessee to City.

4.7.3 Rules and Regulations.

- (1) The Lessee shall have sole responsibility for fully complying with any and all Applicable Laws for the Lessee Improvements. The Lessee shall be solely responsible for fully complying with any and all applicable present and/or future orders, directives, or conditions issued, given or imposed by the CEO which are now in force or which may be hereafter adopted by the Board and/or the CEO with respect to the operation of the Airport, provided that such orders, directives, or conditions do not conflict with Applicable Laws. In addition, the Lessee agrees to specifically comply with any and all applicable federal, state, and/or local security regulations, including, but not limited to, 14 CFR Parts 107 and 108, regarding unescorted access privileges.
- (2) The Lessee shall comply with the Title VI of the Civil Rights Act of 1964 relating to nondiscrimination. Additionally, FAR Clause 52.203-11 "Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions" is incorporated herein by reference into this Lease. Contracts awarded by the Lessee as a result of the Lessee Improvements must comply with Federal provisions established by laws and statutes.
- (3) The Lessee and its contractors shall be responsible for all civil penalties assessed as a result of their failure to comply with any and all Applicable Laws regarding the Lessee Improvements. The Lessee and its contractors shall hold the City harmless and indemnify the City for all civil penalties resulting from such failure.

4.7.5 Independent Contractor. In furnishing the services provided in this Section 4, the Lessee is acting as an independent contractor. The Lessee is to furnish such services in its own manner and method and is in no respect to be considered an officer, employee, servant or agent of the City.

4.7.6 The Lessee agrees that it will manage the Lessee Improvements in such a manner so as to minimize disruptions to Airport operations.

4.7.7 MBE/WBE/SBE Policy. The Lessee has advised the City that it intends to employ a MBE/WBE/SBE policy for the construction of the Optional Lessee Improvements with a MBW/WBE/SBE participation goal of twenty percent (20%), and will report the status of attainment of the goal on a quarterly basis to the City.

4.7.8 Project Labor Agreement. City, through its agreement coordinator, has entered into a project labor agreement with various trades (the "PLA"), attached hereto as Exhibit N. Lessee agrees to require its general contractor(s) to sign the Letter of Assent,



attached hereto as Exhibit N, agreeing to be subject to the terms of the PLA (as may or may not be applicable in accordance with the PLA's terms) with respect to the Lessee Improvements.

## **Section 5.     Payments to City.**

### **5.1     Rent.**

5.1.1   Commencing upon the Commencement Date, Lessee shall pay City the Monthly Rent (as defined herein below) with respect to the Demised Premises. The Monthly Rent shall be as set forth in Exhibit B, as adjusted pursuant to the terms of this Lease. Lessee acknowledges that the CEO is authorized to replace the Exhibit B to reflect rental adjustments, fees and/or other charges established periodically by the Board that shall be generally applicable to similarly situated lessees at Airport and that Lessee accepts responsibility for payments based on such modifications effective as of the date specified by the Board pursuant to Section 5.2 below. Lessee shall be responsible for payment of any and all amounts due to City by sublessees of this Lease, if any, unless the CEO specifically waives such responsibility.

5.1.2   Lessee shall pay additional rent of One Hundred Ten Thousand Dollars (\$110,000) per month from the Commencement Date until December 31, 2020 to compensate City for the residual value of existing buildings on the Demised Premises.

5.2     Rental Adjustments. Provided that nothing herein shall be construed to grant Lessee any rights to extend this Lease, it is agreed that rent shall be adjusted each year in accordance with the procedures provided hereinafter.

5.2.1   Annual Adjustments. Except when adjusted as provided in Subsection 5.2.2 below, the Land rate and Paving rate of the Monthly Rent for the Demised Premises covered under this Lease shall be subject to automatic, annual rental adjustments effective July 1 of each year (the "Annual Adjustment Date"). However, City may change the Annual Adjustment Date through a resolution adopted by the Board provided that there shall be no more than one annual adjustment pursuant to this Subsection 5.2.1 in any twelve-month period. The Monthly Rent shall be adjusted on the Annual Adjustment Date according to the percentage increases over the prior year, if any, in the Consumer Price Index, All Urban Consumers for the Los Angeles-Long Beach-Anaheim, California area, 1982-84=100 (CPI-U), as published by the U.S. Department of Labor, Bureau of Labor Statistics ("B.L.S."), or its successor, as follows:

Monthly Rent shall be multiplied by the CPI-U for the month of March immediately preceding the Annual Adjustment Date (hereinafter referred to as the "Adjustment Index"), divided by the said CPI-U as it stood on March of the prior year (hereinafter referred to as the "Base Index") and the result shall be the "Adjusted Monthly Rent" to be applied effective July 1 through June 30, provided that the annual adjustment shall not be less than two percent (2%) per year nor more than seven percent (7%) per year, in

accordance with the calculation below. In the event that the Adjusted Monthly Rent indicates a rate increase in excess of seven percent (7%), the rental rate increase shall be carried over and implemented in the succeeding year, as necessary, at a rate not to exceed seven (7%) per year.

The formula for calculation of Adjusted Monthly Rent commencing each July 1 during the term of this Lease shall be as follows:

$$\text{Adjusted Monthly Rent} = \text{Monthly Rent} \times (\text{Adjustment Index/Base Index})$$

If the B.L.S. should discontinue the preparation or publication of the CPI-U, and if no transposition table is available, then City shall adopt a comparable publicly-available local consumer price index for adjusting and revising the Monthly Rent on July 1 annually.

5.2.2 Periodic Adjustment to Fair Market Rental. Provided nothing in this Subsection 5.2.2 shall be construed to grant Lessee any extension rights unless expressly stated in this Lease, it is agreed that, (i) the Land rental rate shall each be adjusted effective as of a date not later than July 1, 2020, and every five years thereafter to a fair market rental rate payable hereunder; (ii) the Paving rate payable hereunder shall be adjusted effective as of a date not later than July 1, 2020, and every five years thereafter to a fair market rental rate payable hereunder, and (iii) the Improvement rental rate (if any) hereunder shall be adjusted effective as of the expiration of the Term and not later than every five years thereafter to a fair market rental rate payable hereunder, and every five years thereafter to a fair market rental rate payable hereunder (each a “Periodic Adjustment”), provided that City may change any of the periodic adjustment dates for each individual rental rate through a resolution adopted by the Board.

5.2.2.1 Parties May Negotiate in Good Faith. At least one (1) year prior to the scheduled Periodic Adjustment Date and in accordance with Subsection 5.2.2 above, the parties may (but are not required to), in good faith, negotiate the rental rate(s) applicable to the subject adjustment period(s) as referenced above. Such good faith negotiations, initiated by either party, may include the involvement of a third party reviewer to review and make nonbinding recommendations regarding each party’s rate adjustment proposal, discussions regarding external and internal factors that may be unique to the land and/or improvements so that the reviewer(s) can take them into consideration when making the recommendations, in substantially the same manner as corroborated by the parties and applicable to the Demised Premises. The parties shall have continuing opportunities to negotiate in good faith in an attempt to reach agreement on rental adjustment(s) notwithstanding each party’s obligation to perform its duties as described under Subsection 5.2.2.2 below. If the parties are able to reach an agreement on the adjustment to the rental rate(s), then said rate(s) shall be presented as a recommendation to the Board. However, if the parties are unable to reach final agreement during said negotiation period, the parties may continue to negotiate in good faith to attempt to reach agreement until arbitration commences pursuant to Subsection 5.2.2.6 below.

5.2.2.2 Appraisal Process. If the parties cannot reach agreement on the rental rate(s) or the Board does not approve the agreed upon rental rate(s) as described in Subsection 5.2.2.1 at least nine (9) months prior to the scheduled Periodic Adjustment Date, then the parties shall determine the Monthly Rent by the procedures described in Subsections 5.2.2.3 through 5.2.2.5 below. City may elect to have such procedures apply separately to the rent applicable to improvements and may adjust the land rental rates on the basis of Airport-wide land rental rates then in effect, provided that such rates were adopted in compliance with Applicable Laws. Should City choose to adopt this adjustment option, City will provide written notice to Lessee no later than ten (10) months prior to the Periodic Adjustment Date of the intention to adjust land and improvements separately. Separate appraisals will be procured for the land and the improvements (if any). Under this option, both the land and improvement adjustments will be completed separately under Subsections 5.2.2.2 through 5.2.2.6. City or Lessee may elect to use the same appraiser for both appraisal reports. Every effort will be made by City and Lessee to consolidate any required meetings as required in the appraisal process described below.

5.2.2.3 Step 1: Independent Appraisals. City and Lessee shall each select an appraiser, who is a member of the Appraisal Institute or its successor organization and meets the Minimum Qualifications as defined within this Lease (a “Qualified Appraiser”). Either Lessee or City shall, when notified in writing by the other to do so, deliver to the other party the name and address of such appraiser (each, selected Qualified Appraiser, a “Main Appraiser”). The CEO shall immediately fix the time and place for a conference between the two parties and the Main Appraisers no later than fifteen (15) days from the date of the exchange of names and addresses of the Main Appraisers. At such meeting, both Lessee and City may have discussions with the Main Appraisers as to any externalities that may affect the derivation of rental value conclusions. The Appraisal Instructions to be given to the Main Appraisers are as defined within this Lease. City and Lessee shall each pay the fees and expenses of their respective Main Appraisers. The narrative appraisals must be completed according to the Uniform Standards of Professional Appraisal Practice (USPAP) for the year in which the appraisal is completed. No later than one hundred (100) calendar days after the date of the appraiser meeting, a copy of the completed, final USPAP-compliant appraisal report procured by both City and Lessee will be made available for review by the other party on the same day. If either City or Lessee fails to deliver its appraisal report by the appraisal report delivery deadline, the late party will inform the other party in writing of the reason for the delay and the expected date on which appraisal reports will be exchanged. If either party’s appraisal report cannot be delivered within four (4) months of the appraiser meeting, the complying party shall have its appraisal report presented to the Board for approval. Upon exchange of the two appraisal reports, in the event that the determination of the rental value in the two appraisal reports differs by fifteen percent (15%) or less, the rate that is the average of the determinations in the two appraisal reports shall be presented as a recommendation to the Board. If the rate determinations in the two appraisal

reports differ by more than fifteen percent (15%), the parties shall proceed to Step 2 below.

5.2.2.4 Step 2: Arbitration Appraiser Selection. The Main Appraisers selected by each party shall be instructed to agree upon and select an Arbitration Appraiser (as defined below) no later than six (6) weeks after the appraiser meeting described in Subsection 5.2.2.3 above. The Arbitration Appraiser shall be a Qualified Appraiser that is not under contract with the City for appraisal services. If the Arbitration Appraiser selected is not available to perform the task pursuant to the instructions set forth in Subsection 5.2.2.6 below or is unwilling to execute a City contract for the performance of appraisal services, then City and Lessee shall inform the Main Appraisers and require them to repeat the selection process again until an available Arbitration Appraiser is selected. If the Main Appraisers cannot come to agreement on the selection of an Arbitration Appraiser within (6) six weeks from the date of the appraiser meeting, the CEO shall select an Arbitration Appraiser.

5.2.2.5 Appraisal Review Period. The parties shall have one (1) month to review each other's appraisal reports from the date of the appraisal exchange as described in Subsection 5.2.2.3 above. The parties may continue to negotiate the adjusted rental rates during this period. Within fifteen (15) calendar days of the appraisal report exchange in Subsection 5.2.2.3 above, the CEO shall fix a time and place for a negotiation meeting between the parties to be held no later than six (6) weeks from the date of the appraisal report exchange. At such meeting, the parties shall attempt to reach a final agreement on the adjusted rental rates. Either party may include its Main Appraiser in the meeting, if desired. If Lessee and City reach agreement on the rental rate adjustments, the CEO shall present the results as a recommendation to the Board. If Lessee and City are unable to reach agreement on the adjusted rental rate(s) by the date that is fourteen calendar (14) days from the date of the negotiation meeting, then the parties shall proceed to Step 3 below.

5.2.2.6 Step 3: Appraiser Arbitration. City and Lessee shall each pay one-half of the fees and expenses of the Arbitration Appraiser. The Arbitration Appraiser selected by the two Main Appraisers or the CEO, as the case may be, in Step 2, shall receive copies of both Lessee and City's final appraisal reports that were procured in Step 1 and a list of the rental rate adjustments that have not been agreed to by the parties. The Arbitration Appraiser shall be allowed three (3) weeks to review both appraisal reports. After review of the two appraisal reports, the Arbitration Appraiser will determine which of the rental rate(s) from the two appraisal reports are the most reasonable, considering comparable data selection, market information and applicable valuation methodology. The Arbitration Appraiser will communicate its decision in writing to both Lessee and City three (3) weeks after engagement. The CEO shall present the agreed-upon rental rate(s) and the Arbitration Appraiser's determinations as a recommendation to the Board. City shall make every effort to present the rate(s) for approval to the Board prior to the Periodic Adjustment Date.

5.2.3 Appraisal Criteria. The following appraisal criteria shall apply to Subsections 5.2.2.3 through 5.2.2.6.

5.2.3.1 Appraiser Minimum Qualifications. The Main Appraiser must possess, at a minimum, an MAI or SRPA designation and must be licensed in the State of California. The Main Appraiser must perform all of the calculations and technical portions of the appraisal report as well as derive the final value conclusions within the appraisal report. The Main Appraiser must have geographic market knowledge of the Los Angeles County area. Knowledge of the entire Southern California real estate market is preferred. The Main Appraiser must have a minimum seven (7) years of experience of appraising property in Southern California. If the Main Appraiser is valuing property within the perimeter fence of an airport ("on-airport"), he or she must have performed a minimum of five (5) appraisals of on-airport property within the past five (5) years.

5.2.3.2 Main Appraisers must be in good standing with the California Bureau of Real Estate Appraisers (CBREA) or its successor organization and have no more than one complaint filed against him or her for any reason and no complaints that have resulted in any disciplinary actions. The Main Appraisers must certify in the appraisal report that he or she has never received any disciplinary actions from the CBREA. The Main Appraisers must be able to provide documentation of the sources of comparable rental rate and sales data to the reasonable satisfaction of City and Lessee.

5.2.3.3 Appraisal Instructions. The Main Appraiser shall consider the following in completing the appraisal report:

5.2.3.3.1 Los Angeles Administrative requirements that are in force upon Lessee within its Lease at the date of value.

5.2.3.3.2 FAA regulations that may affect value such as the Building Restriction Line, Object Free Area, Runway Protection Zone, building height limitations as related to the "Transitional Zone" and any other regulations that may affect value.

5.2.3.3.3 City zoning that applies to the property. If the City approved use does not conform to the current zoning at the date of value, and the current use is also determined to be the highest and best use, then the Main Appraiser will value the property as if it had the zoning that would allow its current use (variance granted).

5.2.3.3.4 Any public or private easements, such as utilities or rights-of-way, including avigation rights.



5.2.3.3.5 The appraisal of land shall be determined as if vacant under its highest and best use at the date of value, taking into consideration the government imposed restrictions listed above (both by law and restrictions as imposed under the Lease). The leasehold estate or "lessee's interest" (as defined within the most recent edition of "The Appraisal of Real Estate" as published by the Appraisal Institute) shall not be considered.

5.2.3.3.6 City and Lessee shall have the right to modify any conditions of the appraisal process upon mutual written agreement of the parties.

5.2.4 With respect to additions, improvements, or alterations to leasehold structures authorized by City and made by Lessee during the term of this Lease, Lessee shall not be charged rent for the rental value thereof unless and until title to said additions, improvements, or alterations revert to City pursuant to the terms of this Lease or by operation of law. Notwithstanding the previous sentence, Lessee shall not be charged rent for the rental value of the Financed Improvements that were financed from proceeds of tax-exempt obligations during the term of this Lease.

5.2.5 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. However, pending the outcome of any such litigation, Lessee shall be obligated first to either pay the new rental and all retroactive amounts directly to City as they come due, or deposit such increased amounts of such rental and the retroactive amounts into a joint escrow account. Provision shall be made for the payment to the City of the escrowed funds, including accrued interest, (to the extent such funds are owed by Lessee to City) upon a final determination of the appropriate rental adjustment, if any.

5.2.6 Notwithstanding Article 2, Section 71 (Default) below and subject to Subsection 5.2.7 below, if either Party alleges that the other Party has failed to comply with the procedure specified in Subsection 5.2.2.2 above, the Party alleging noncompliance must notify the other Party in writing within 30 days, describing such noncompliance in detail and providing the other Party a reasonable time for cure (in any case, not less than 10 days), otherwise such noncompliance shall be deemed waived; provided that failure by the parties to timely comply with the rental readjustment procedures herein shall not be construed to constitute a waiver of the right of City to a rental readjustment. In the event adjustment of rental is not completed prior to the Annual Adjustment Date, Lessee shall continue to pay the rent set for the preceding period, at the intervals and in the manner fixed for such preceding period, and if such rent is thereafter fixed in a different amount, such new rental shall take effect retroactively back to the beginning date of the readjustment period. Subject to Lessee's right of contest and right to escrow funds, unless the Board otherwise agrees to a payment plan with interest, Lessee shall promptly pay to City that sum, if any, which has accrued as a result of such retroactive application. If a rental reduction occurs, City shall provide a rent credit to Lessee's account equal to the sum which has accrued as a result of such retroactive application.

5.2.7 If City has complied with the appraisal procedure and related time frames as set forth above, City shall be entitled to receive, in addition to all retroactive rents that become due as a result of Board-adjusted rental rate(s), the time value of said rental increase(s) calculated from the effective date of the increase(s) to the time period that the rental increase(s) are assessed to the Lessee at an interest rate representing what the City may have otherwise been entitled to if the funds associated with the increase(s) were available for City's use; however, in no event shall the interest rate be less than 5%.

5.2.8 Assessments, Fees, and Charges. In addition to the rental obligation, Lessee hereby agrees to pay such assessments, fees, and charges as shall be set by the Board and that shall be generally applicable to similarly situated lessees at Airport.

## **Section 6. Notices.**

6.1 Written notices to City hereunder shall be sent to the CEO with a copy sent to the City Attorney of the City of Los Angeles and addressed to said parties at:

Deputy Executive Director	City Attorney
Commercial Development Group	Department of Airports
Department of Airports	1 World Way
1 World Way	Post Office Box 92216
Post Office Box 92216	Los Angeles, CA 90009-2216
Los Angeles, CA 90009-2216	

and via electronic mail to [CDG-Lessee-Notices@lawa.org](mailto:CDG-Lessee-Notices@lawa.org) or to such other address as City may designate by written notice to Lessee.

6.2 Written notices to Lessee hereunder shall be given by registered or certified mail, postage prepaid, and addressed to:

United Airlines, Inc.  
233 S. Wacker 11<sup>th</sup> Floor, HDQOU  
Chicago, IL 60606

or to such other address as Lessee may designate by written notice to City.

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

6.4 All such notices, except as otherwise provided herein, may either be delivered personally to the CEO or to the Office of the City Attorney, Airport Division, in the one case, or to Lessee in the other case, or may be deposited in the United States mail, properly addressed as aforesaid with postage fully prepaid by certified or registered mail, return receipt requested, and shall be effective five (5) days after deposit in the mail, or may be delivered by a nationally

recognized overnight commercial courier service that requires the recipient's signature for delivery, and shall be effective one (1) business day after delivery to such courier.

**Section 7. Disclosure of Hazardous Substances.**

7.1 City hereby notifies Lessee that petroleum products, Asbestos Containing Material (“ACM”) (including but not limited to, building materials such as floor tile, mastic, roofing, and joint compound), Lead Based Paint (“LBP”), Possible Mercury-containing Switches and Fluorescent Tubes, and Possible PCB-Containing Materials (including but not limited to fluorescent light ballast and electrical transformers (“Possible PCB”) may be present in structures and materials on the Demised Premises. The disclosure in this Section 7 shall only be for purposes of providing Lessee with notice of some substances that may be present on the premises. The disclosure herein shall not be construed as evidence of preexisting substances for purposes of Article 2, Section 74 (Hazardous and Other Regulated Substances).

**NOTICE IS HEREBY GIVEN TO LESSEE THAT ASBESTOS CONTAINING MATERIALS MAY BE PRESENT IN NUMEROUS STRUCTURES AND MATERIALS IN THE DEMISED PREMISES. ACM MAY BE PRESENT IN SOME BUILDING MATERIALS INCLUDING FLOOR TILE, MASTIC, ROOFING, JOINT COMPOUND AND OTHER VARIOUS MATERIALS. ACM IS REQUIRED BY THE SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT RULE 1403 TO BE REMOVED PRIOR TO DEMOLITION, IF ANY;**

**NOTICE IS HEREBY GIVEN TO THE LESSEE THAT LEAD BASED PAINT MAY BE PRESENT IN VARIOUS STRUCTURES IN THE DEMISED PREMISES INCLUDING WALLS, DOOR AND DOOR COMPONENTS, RAILINGS, TANKS, FLOORS, WINDOW SASHES AND OTHER PAINTED SURFACES.**

**NOTICE IS FURTHER GIVEN TO LESSEE THAT IF ANY LEAD-BASED PAINT WILL BE DISTURBED, THERE ARE OSHA AND CAL-OSHA REGULATIONS FOR WORKERS DISTURBING LEAD BASED PAINT THAT MUST BE FOLLOWED, AND THE WASTE STREAM MUST BE TESTED TO DETERMINE IF IT HAS TO BE DISPOSED OF AS RCRA HAZARDOUS WASTE, CALIFORNIA HAZARDOUS WASTE, OR CAN BE DISPOSED OF AS CONSTRUCTION DEBRIS. SEE CAL-OSHA CONSTRUCTION LEAD STANDARD (8 CCR 1532.1).**

**NOTICE IS FURTHER GIVEN TO THE LESSEE THAT POSSIBLE MERCURY CONTAINING SWITCHES AND FLUORESCENT TUBES MAY BE PRESENT IN THE DEMISED PREMISES. PRIOR TO ANY DEMOLITION OF ANY STRUCTURES AT THE DEMISED PREMISES, ANY ACTUAL MERCURY-CONTAINING SWITCHES AND FLUORESCENT TUBES MUST BE REMOVED AND MANAGED FOLLOWING THE REQUIREMENTS OF THE HAZARDOUS WASTE CONTROL ACT AND THE TOXIC SUBSTANCES CONTROL ACT.**

**NOTICE IS FURTHER GIVEN THAT POSSIBLE PCB-CONTAINING MATERIALS MAY BE PRESENT IN THE DEMISED PREMISES. SUSPECTED PCB-**



CONTAINING MATERIALS MAY INCLUDE BUT NOT BE LIMITED TO FLUORESCENT LIGHT BALLASTS AND ELECTRICAL TRANSFORMERS. PRIOR TO ANY DEMOLITION OR OTHER IMPROVEMENTS IN, ON, OR AT THE DEMISED PREMISES, ANY PCB-CONTAINING MATERIALS MUST BE REMOVED, MANAGED, AND DISPOSED OF IN ACCORDANCE WITH APPLICABLE FEDERAL, STATE AND LOCAL LAWS AND REGULATIONS.

7.2 General Release and Waiver by Lessee. Lessee on behalf of itself and its successors and assigns releases the City from and waives any and all claims of any nature whatsoever, whether direct or indirect, known or unknown, foreseen or unforeseen, arising from or related to the Existing Environmental Conditions in the Demised Premises. The Lessee acknowledges and agrees that it has been advised by legal counsel in California and is familiar with the provisions of California Civil Code Section 1542, which provides as follows:

**“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM, MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.”**

The provisions of this section shall survive the expiration or earlier termination of this Lease.

7.3 City and Lessee recognize that as of the Effective Date, there are certain environmental conditions, some of which are known and some of which may be unknown, existing in, on or under or adjacent to Demised Premises (all such environmental conditions, whether known or unknown, shall be the “Existing Environmental Conditions”). The Existing Environmental Conditions include, but are not limited to, conditions listed on Schedule 7.3 A-C. Schedule 7.3 A-C is not intended as a complete list of the Existing Environmental Conditions or a complete delineation of the extent of such conditions. The Parties acknowledge that additional Existing Environmental Conditions may be identified in the future and the extent or nature of known Existing Environmental Conditions may also be further identified.

## **Section 8. Lease-Specific Provisions.**

8.1 Lessee agrees to comply with Mitigation Measures MM-AQ (UAL)-1 and MM-ST (UAL)-1 and all monitoring and reporting requirements set forth in the Mitigation Monitoring and Reporting Program (MMRP) and the Environmental Impact Report (EIR) prepared for the LAX UAL East Aircraft Maintenance and Ground Support Equipment Project (Project), and to construct and operate the Project consistent with the Final EIR. Lessee agrees to provide City with data and information to establish Lessee compliance with all MMRP requirements, in a format and within a time frame acceptable to City, for City’s use in compiling the annual MMRP report. If Lessee fails to comply with Mitigation Measures MM-AQ (UAL)-1 and MM-ST (UAL)-1, or with the monitoring and reporting requirements, City may (but shall not be required to) take all steps it deems necessary to properly implement Mitigation Measures MM-AQ (UAL)-1 and MM-ST (UAL)-1, and the monitoring and reporting requirements. Any such efforts to properly implement

Mitigation Measures MM-AQ (UAL)-1 and MM-ST (UAL)-1, and the monitoring and reporting requirements, or other corrective actions taken by City, shall be at Lessee's sole cost and expense and Lessee shall indemnify and pay for and/or reimburse City for any and all costs (including any administrative costs) City incurs as a result of any efforts to properly implement Mitigation Measures MM-AQ (UAL)-1 and MM-ST (UAL)-1, and the monitoring and reporting requirements, or other corrective actions.

8.2 Notwithstanding anything to the contrary in this Lease, Lessee agrees that Takeback Area #1 and Takeback Area #2 and Takeback Area #3 are being provided on a temporary basis. If Lessee constructs any improvements on Takeback Area #1 and/or Takeback Area #2 and/or Takeback Area #3 then the improvements Lessee may make to these areas will be made at Lessee's sole cost and sole risk. Further, City shall have no obligation to compensate Lessee for any improvements under any circumstances, and further, Lessee may be required to remove any improvements made by Lessee upon notice from City.

8.3 Notwithstanding anything to the contrary, for purposes of Article 2, Section 54 (Utilities), Lessee shall allow Adjacent Entities whose facilities are served by electrical, water, communications, gas, sewage, fire suppression systems and other utilities (collectively, "Utility Services") on the Demised Premises to continue to access and use such utilities for the benefit of Adjacent Entities' Premises. City shall pay Lessee its allocated fair share of the cost of such Utility Services, within thirty (30) days from the date of City's receipt of Lessee's invoice.

#### **Section 9. Existing Environmental Conditions.**

9.1 Lessee and its predecessors in interest have been occupying the Demised Premises or portions thereof (other than Parcel B) pursuant to the Previous Leases. The Lessee is conducting certain remedial activities on the Demised Premises under the oversight of the California Regional Water Quality Control Board (RWQCB). Lessee shall perform and continue all periodic monitoring or remedial activities as required or directed by the RWQCB and any other federal, state, or local government entity with jurisdiction over the Demised Premises, provided that nothing in this Section 9.1 shall be construed to preclude Lessee from seeking relief from a federal, state, or local entity's order in a court of competent jurisdiction. This provision shall survive the termination or expiration of this Lease or any portion thereof.

[Sections 10 to 50. Intentionally omitted.]

### **ARTICLE 2. STANDARD TERMS AND PROVISIONS** **Revised 06-11-14**

#### **Section 51. Limitations on Use of Demised Premises.**

51.1 Lessee shall not use the Demised Premises, nor any portion thereof, for any purpose other than that set forth in Article 1, without first having had and obtained the written consent of the CEO, which consent may be withheld in the Chief Executive's sole discretion, and which written consent is approved as to form by the City Attorney.

51.2 There is hereby reserved to City, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Demised Premises herein leased. This public right of flight shall include the right to cause in said airspace any noise inherent in the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from, or operating on Airport. Lessee agrees not to make any claim or institute legal action against City under any theory of recovery for any interference with Lessee's use and enjoyment of the Demised Premises which may result from noise emanating from the operation of aircraft to, from, or upon Airport.

51.3 Lessee, by accepting this Lease, agrees for itself and its successors and assigns that it will not make use of the Demised Premises in any manner which might interfere with the landing and taking off of aircraft from Airport or otherwise constitute a hazard to such operations. In the event that the Lessee interferes with any air traffic as described above, City reserves the right to enter upon the Demised Premises hereby leased and cause the abatement of such interference at the expense of Lessee.

51.4 Lessee shall conduct its, and cause any sublessees to conduct their operations on the Demised Premises in such manner as to reduce as much as is reasonably practicable, considering the nature and extent of said operations, any and all activities which interfere unreasonably with the use of other premises adjoining the Demised Premises at Airport, including, but not limited to, the emanation from the Demised Premises of noise, vibration, movements of air, fumes, and odors.

51.5. Lessee is prohibited from installing or using any wireless workstations, access control equipment, wireless internet servers, application or system software such as transceivers, modems, or other interface units that access frequencies from 2.0 Gigahertz to 6.0 Gigahertz, inclusive, without first obtaining approval from the CEO.

51.6 Lessee has no rights under this Lease to install or use any antennae or telecommunications equipment on the roof or exterior of any building or structure on the Demised Premises, unless such installation or use is directly related to the conduct of Lessee's business and in full compliance with City's permit process and telecommunications policies, as may be modified from time to time at the sole discretion of the CEO. Lessee may not license or sublease to others the right to install or use antennae or other telecommunications equipment on the Demised Premises.

## **Section 52. Rental Payments.**

52.1 **Delivery of Rental Payments.** Rent shall be paid by Lessee to City on or before the first day of each calendar month of the term, pursuant to Article 1, Section 2 (Term of Lease), herein. 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 the Demised Premises, or any part of same, were occupied by Lessee during said month. All payments shall include the contract number, which is stamped on the first page of this Lease, on each payment check and the remittance advice attached to the invoice, if any, delivered to Lessee by City. Upon written approval by the CEO, the Lessee may be approved to make electronic rental payments to the City.

52.2 All payments shall be mailed to the following address:

**City of Los Angeles  
Los Angeles World Airports  
P.O. Box 54078  
Los Angeles, CA 90054-0078**

52.3 City may, from time to time, designate another address to which rental payments shall be made and will provide at least thirty (30) days advance written notice of such address change. Invoices may be sent by City to Lessee as a customer courtesy, and receipt of such invoice shall not be a condition prior to payment of rent.

**Section 53. Liquidated Damages for Delinquent Payment.**

53.1 Payment of rentals, fees, and charges shall be delinquent if not received by City within ten (10) days following the due date. Without waiving any rights available under this Lease or by law, in the event of delinquent payments, Lessee recognizes that City will incur certain expenses, the amount of which is difficult to ascertain. Therefore, in addition to payment(s) owing, Lessee agrees to pay the liquidated damages set forth below to compensate City for all expenses and/or damages and loss resulting from said delinquent payments by Lessee.

53.2 The liquidated damages for delinquent payments shall be assessed each month at a rate of 1 percent interest (i.e., equivalent to 12% per annum compounded monthly) on the Average Daily Balance (as hereinafter defined) of the unpaid amount. "Average Daily Balance" shall mean the sum of Lessee's unpaid balance on each day of the monthly billing cycle divided by the number of days in the monthly billing cycle. City may draw such delinquent payments from the Faithful Performance Guarantee required pursuant to Article 2, Section 57 (Performance Guarantee) herein. FPG draw shall apply first to unpaid liquidated damages, then to remaining delinquent balances. Delinquent balance remaining after FPG draw shall continue to be assessed liquidated damages pursuant to this Section 53.2.

**Section 54. Utility Services.**

54.1 Lessee shall pay all charges for Utility Services used by Lessee in connection with its occupancy of the Demised Premises, including 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.

54.2 Lessee shall meter all utilities separately and shall install all meters at Lessee's expense unless City and Lessee agree that separately metering any or all of the utilities is not feasible. To the extent Lessee is not paying for any Utility Service directly to the utility company providing said Utility Service, and such Utility Service is being metered, sub-metered, or otherwise paid for by City or a third party ("Utility Third Party") then Lessee shall pay the costs for Utility Services allocable to the Demised Premises as reasonably determined by City or Utility Third Party as the case may be, plus fifteen percent (15%) administrative costs, unless Lessee and City or Utility Third Party agree otherwise in writing.

54.3 City may, at City's own expense, install, maintain and repair utilities under, over, through or in any part of the Demised Premises and Lessee shall not be entitled to payment or abatement of rent or any other compensation in connection with any such installation, maintenance and/or repair. If City installs, maintains or repairs utilities under, over, through or in any part of the Demised Premises and City damages the Demised Premises during such utility work, then City shall repair the damage to a reasonable condition. Furthermore, City will make all reasonable efforts during the installation, maintenance and/or repair not to create a materially adverse effect on Lessee's on-going business concern.

#### **Section 55. Reports.**

55.1 City may, at its discretion and with reasonable notice to Lessee, require Lessee within ten (10) days after the end of each calendar month, to report to the City certain operating statistical and financial data applicable to City airports covering the previous calendar month in such form and content as shall reasonably be specified by the CEO.

#### **Section 56. Audits.**

56.1 City may, at its sole discretion and with reasonable notice to Lessee, require Lessee to provide access to all records and other information necessary to perform an audit of rental, fees, other charges paid and payable to City, and any required information for payments by City to Lessee, including but not limited to invoices and proof of payments related to reimbursement for tenant improvements and other Lessee-required investments under this Lease. City shall have the right to access such records and information for five (5) years past the end of the fiscal year in which they were generated and up to five (5) years past the expiration or early termination of this Lease. Lessee shall retain all records and other information necessary to perform an audit as described above for a minimum of five (5) years.

#### **Section 57. Faithful Performance Guarantee.**

57.1 Lessee shall furnish to City and maintain throughout the term of this Lease and for sixty (60) days following Lease termination, a Faithful Performance Guarantee ("FPG") to secure the faithful performance by Lessee of all the terms, provisions, and covenants contained herein including, but not limited to, the payment of rent and any other specified compensation or reimbursement for required improvements or maintenance not made by Lessee. Such FPG shall be separate from any other guarantee(s) of Lessee. The initial amount of said FPG shall be three (3) times the highest monthly rental amount, commencing with the initial first year's rent, prescribed herein. Any adjustments to rent, pursuant to Article 1, Section 5( Payments to City), herein, shall also result in a commensurate adjustment to the FPG, pursuant to Sections 57.2 and 57.3 below. If all or any part of the FPG is used to pay a delinquent account as set forth in Section 53.2 herein, Lessee shall, within sixty (60) days after draw down, replenish said FPG so that the FPG equals three (3) times the highest monthly rental amount.

57.2 If Lessee has previously provided such FPG to City and if, for any reason, Lessee's monthly monetary obligation to City for use of the Demised Premises under this Lease is thereafter



increased in excess of ten percent (10%), then the amount of Lessee's FPG shall, within sixty (60) days after receiving written notice from City, correspondingly be increased to a sum three (3) times of the new monthly amount prescribed under this Lease.

57.3 If Lessee has previously provided such FPG to City and if, for any reason, Lessee's monthly monetary obligation to City for use of the Demised Premises under this Lease is thereafter decreased in excess of ten percent (10%), then the amount of Lessee's FPG may be correspondingly decreased to a sum equal to three (3) times the new amount prescribed under this Lease, within sixty (60) days following written notice to City by Lessee.

57.4 FPGs of Twenty-Five Thousand Dollars (\$25,000) 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 Twenty-Five Thousand Dollars (\$25,000) shall be in the form of an Irrevocable Letter of Credit. Letters of Credit shall be self-renewing from year-to-year and shall remain in full force and effect for a minimum period of ninety (90) days following termination or cancellation of the Lease. However, the Irrevocable Letter of Credit may be subject to termination upon sixty (60) days written notice (subject to Section 57.5), provided that, Lessee shall first give City notice in writing of its intent to terminate the Letter of Credit and provide a replacement Irrevocable Letter of Credit to the City so that there is no lapse in coverage. All FPGs must be approved as to form by the City Attorney.

57.5. Lessee shall furnish one original and one copy of such FPG on or before the Commencement Date or within thirty (30) days following notice of adjustment of the rent. If, for any reason, said FPG is not provided by Lessee and/or is not thereafter maintained in sufficient amount throughout the term hereof, or replenished within sixty (60) days of drawdown, City, subject to the notice requirements of Subsection 71.1.2, may terminate this Lease at any time upon giving Lessee a thirty (30) day advance written notice. Upon the expiration or earlier termination of this Lease, and if Lessee has satisfied all of its obligations to City hereunder, City shall relinquish to Lessee said FPG following such expiration or earlier termination and satisfaction of all obligations to City within sixty (60) days of that determination. The FPG shall be submitted to:

**Los Angeles World Airports  
Attn: Accounting/Revenue FPG Administrator  
PO Box 92216  
Los Angeles CA 90009-2216**

## **Section 58. Improvements and Alterations.**

### **58.1 By Lessee.**

58.1.1 Prior to the construction of any improvements, including but not limited to structural improvements, additions, alterations, or signs, Lessee shall obtain approval from the City through its Tenant Improvement Approval Process (TIAP). Lessee shall submit to the City for concept approval the preliminary plans and estimated construction cost for such improvements. Said approval, subject to the conditions set forth herein, shall be given

in a reasonably timely manner. Upon approval by the CEO of Lessee's preliminary plans, Lessee shall prepare working drawings and specifications which shall be true and correct developments of the preliminary plans so approved. Lessee shall then submit a written request for construction approval and a minimum of five (5) complete sets of said approved working drawings and copies of the specifications to the City for written approval by the CEO. The CEO's written approval and any conditions related to the construction of the improvements or alterations shall become a part of the Lease as though fully set forth herein once the document is fully executed by both parties. Upon receipt of the CEO's approval, Lessee 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 the CEO's approval in writing. As required by TIAP and upon completion of the improvements approved by the City, Lessee shall furnish to City, at no charge, three complete sets of "record" drawings, and one complete set in Computer Aided Design (CAD) format which complies with the then current LAWA CAD standards. These drawings must include any applicable permit numbers, the structural and other improvements installed by Lessee in the Demised Premises, and the location and details of installation of all equipment, utility lines, heating, ventilating, and air-conditioning ducts and related matters. Lessee shall keep said drawings current by updating them in order to reflect any changes or modifications which may be made in or to the Demised Premises.

58.1.2 Any conditions, restrictions, or limitations placed upon the approval of Lessee improvements by the CEO pursuant to Section 58.1.1 shall be conditions of this Lease as though fully set forth herein once the document is fully executed by both parties. Lessee shall hold City harmless from liability with respect to any third party claims regarding any improvements, additions, or alterations made thereto.

58.1.3 As required by TIAP, for each and every construction or alteration project undertaken on the Demised Premises, Lessee shall prepare a final 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 including a detailed cost breakdown; (4) completion date for construction or alteration; and (5) a copy of the certificate of occupancy. The construction report shall be delivered to the City at the address provided in the Notices Section of the Lease no later than sixty (60) days following completion, and applicable permitting approvals of the construction or alteration.

58.1.4 Lessee shall also keep the Demised Premises and any improvements constructed thereon free and clear of liens for labor and material expended by or for Lessee or on its behalf in accordance with Section 59 herein.

58.1.5 Lessee 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 Demised Premises, or in the event of any

planned modification or alteration of any present or future building or structure situated on the Demised Premises

58.1.6 Lessee agrees 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 the mean sea level elevation obstruction contours shown on the contour drawings on file with the City, if applicable. 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.

58.1.7. Before any work is performed on or within the Demised Premises, as described in the aforementioned subsection 58.1.1, Lessee may be required to file Payment and Performance Bonds with the City. Furthermore, Lessee agrees to require its contractors to file with the City any Payment Bonds as required by TIAP. All required Payment and Performance Bonds must be approved by the City before any work commences.

## **58.2 By City.**

58.2.1 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 Lessee, and without interference or hindrance. If any such development or improvement interferes substantially with Lessee's use and occupancy of the Demised Premises, Lessee shall be entitled to an appropriate reduction in rental or termination of this Lease.

58.2.2 City reserves the right, but shall not be obligated to Lessee, to maintain and keep in repair the landing area of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of Lessee in this regard.

58.2.3 Lessee acknowledges that the City retains the right without compensation to Lessee to install or use antennae or telecommunications equipment on the roof or exterior of any building or structure on the Demised Premises (and the right to install and attach cables, wires and conduits on, over or under the Demised Premises), or to lease or license others to do so. City agrees to install such antennae and/or telecommunications equipment in such a manner that will not cause a loss of water-tightness in the roof or wall structures or their related components. The right to install or use said antennae or telecommunications equipment shall not include the right to penetrate fully through roof or wall structures owned by Lessee without first obtaining approval of the Lessee, which approval may not be unreasonably withheld. City further agrees to repair any damage caused by City's installation of antennae or telecommunications equipment on the roof or exterior of any building or structure on the Demised Premises. City will make best efforts not to interfere with the use of the Demised Premises, as described herein, during the installation or maintenance of such antennae and/or telecommunications equipment.

## **Section 59. Liens.**



During the term of this Lease, the fee interest in the real property underlying the Demised Premises shall not be used as security for any loans or mortgages or otherwise have any liens placed on it. Additionally, except as otherwise set forth in Article 1, Section 4.6, Lessee shall keep any City-owned improvements on the Demised Premises free and clear of any liens or other encumbrances. By way of specification without limitation, Lessee shall keep the Demised Premises free from any liens arising out of any work performed, materials furnished, or obligations incurred by or for Lessee and shall indemnify, hold harmless and defend City from any liens and encumbrances arising out of any work performed or materials furnished by or at the request of Lessee. In the event that Lessee 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 proper bond, 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 Lessee, the same to be released by such means as it shall deem proper, including payment in satisfaction of the claim giving rise to such lien. All such sums paid by City and all expenses incurred by it in connection therewith, including costs, attorney's fees, and a 15% administrative fee, shall be paid by Lessee to City on demand. Nothing in this Section 59 shall be construed to limit any rights of Lessee to use its leasehold interest as security for any loans. Nothing in this Section 59 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.

#### **Section 60. Modification to Size of Demised Premises.**

60.1 **Modification of Premises and Documents.** Other than a change to the Demised Premises pursuant to Article 1, Section 1.3 (City's Expansion Option for Parcel C) or Article 1, Section 1.4 (City's Takeback Option), addition or deletion of space for which Lessee is charged, not to exceed a cumulative total of twenty percent (20%) of the Demised Premises as described at the commencement of the Lease, may be made by mutual agreement of City and Lessee, except as otherwise provided pursuant to Section 69 herein, if applicable. Such addition or deletion shall be by written amendment and shall specify appropriate adjustments in rental, charges, or credits, as applicable, and shall not require approval by Board or Council, unless the modification involves an amount in excess of \$150,000 per year, in which case prior Board approval shall be required. The CEO shall revise and replace the Exhibit A and Exhibit B, as necessary.

60.2. During the term of this Lease, title to all structures, improvements, facilities, or alterations constructed or installed by Lessee for which Lessee has been reimbursed by City shall thereupon vest in City.

60.3 **Damage to or Destruction of Improvements.** If, during the term of this Lease, any buildings, structures, or improvements on the Demised Premises are partially or totally destroyed from a risk covered by the insurance described in Section 65 herein, rendering said Demised Premises partially or totally inaccessible or unusable, Lessee must restore the Demised Premises to substantially the same condition as they were immediately before destruction.

60.3.1 If, during the term of this Lease, improvements on the Demised Premises are partially or totally destroyed from a risk not covered by the fire and extended coverage insurance described in Section 65 herein, rendering said Demised Premises partially or totally inaccessible or unusable, such destruction shall not automatically terminate this Lease. 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, Lessee may, at Lessee's option, terminate this Lease by giving written notice to City within sixty (60) days from the date of destruction. If Lessee elects to terminate as above provided, Lessee shall be obligated, unless otherwise directed by City, to demolish all damaged improvements and remove all debris from the Demised Premises at Lessee's sole cost. If Lessee fails to exercise its right to terminate this Lease, this Lease shall continue in full force and effect for the remainder of the term specified herein and Lessee shall restore the Demised Premises to substantially the same condition as they were in immediately before destruction.

#### **Section 61. Ownership of Improvements.**

61.1 Title to all structures, improvements, facilities, or alterations constructed or installed by Lessee (including Optional Lessee Improvements) shall remain in Lessee during the Term of this Lease, and shall vest in the City subject to Article 1, Subsection 2.1.3 (Termination Fee) upon termination of this Lease, except (i) title to all Financed Improvements that were financed from proceeds of tax-exempt obligations shall immediately vest in City upon the acquisition, construction or installation thereof, subject to all of Lessee's rights and obligations under this Lease, and (ii) as to any Optional Lessee Improvements disclaimed by City in writing, which Lessee shall remove at Lessee's sole cost and expense, including full remediation and restoration of the Demised Premises pursuant to Section 74 herein. In the event the costs of the structures, improvements, facilities, or alterations constructed or installed by Lessee (including Optional Lessee Improvements) exceed the costs of Financed Improvements, the costs that will be treated as Financed Improvements for purposes of this Lease shall be those costs actually financed with the proceeds of the Bonds. In the event the removal of any fixture damages any part of the Demised Premises, Lessee shall repair such damage and restore the Demised Premises to as good condition as the same was in prior to said damage, reasonable wear and tear excepted, as may be required and approved by the City.

61.2 During the term of this Lease, title to all structures, improvements, facilities, or alterations constructed or installed by Lessee for which Lessee has been reimbursed by City shall thereupon vest in City.

61.3 Upon title to said structures, improvements, facilities, or alterations vesting in City, City shall be entitled to reasonable rent, fees and/or other charges, as determined by the Board (provided, however, Lessee will not need to pay rent, fees or other charges to the City if the Lessee is still servicing debt on outstanding tax-exempt Bonds, the proceeds of which were used to finance the Optional Lessee Improvements) and Lessee shall be obligated to pay same for as long as Lessee occupies said structures, improvements, facilities and alterations.

#### **Section 62. Signs.**

62.1 No identification signs pertaining to Lessee's operations shall be installed or placed in or on the Demised Premises or Airport until Lessee has submitted to the CEO drawings, sketches, design dimensions, and type and character of such identification signs proposed to be placed thereon or therein and has received written approval from the CEO. The CEO's written approval and any conditions related to the subject signs shall become a part of the Lease as though fully set forth herein once the document is fully executed by both parties.

62.2 Other than approved identification signs, Lessee shall not, at any time, under any circumstances, install, place, or maintain any type of advertising, on the Demised Premises.

### **Section 63. Maintenance and Repair of Demised Premises.**

63.1 Except as otherwise expressly stated in this Lease and in accordance with Exhibit D, Lessee, solely at its own cost and expense, shall keep and maintain the Demised Premises and all improvements in good repair and working order, reasonable wear and tear excepted, and in a clean, properly maintained, and safe condition. All maintenance, repairs, and replacements shall be in accordance with: applicable prevailing industry maintenance standards; maintenance requirements which City may develop; in compliance with all manufacturers' recommendations, warranties and guarantees; and all federal, state, and local government rules and regulations. Lessee shall keep the Demised Premises, at all times, free and clear of weeds, wastepaper, discarded plastic, graffiti, discarded pallets, and all other trash and debris of any kind.

63.2 If Lessee fails to so maintain or repair the Demised Premises, City may serve a "Notice to Cure" upon Lessee. Said Notice to Cure shall prescribe the work to be accomplished by Lessee in order to correct the maintenance deficiencies and shall state the due date by which Lessee shall have to complete the work as prescribed in the Notice to Cure. In addition, a copy of the Notice to Cure may be posted on the Demised Premises in a conspicuous place. Furthermore, City retains the right, but not the obligation, to make emergency repairs when, in the sole determination of the CEO, failure to take immediate action will damage the facilities or disrupt operations, at Lessee's sole cost and expense, plus an administrative fee in the amount of 15% of cost.

63.3 If, in the opinion of the CEO, any failure to maintain or repair the Demised Premises is of such nature that it cannot physically be corrected within the period originally specified by City, and if Lessee has responded with a course of action and has commenced to remedy such failure promptly after the receipt of such Notice, and shall continuously and diligently proceed in good faith to eliminate such failure, then the period for correction shall be extended for such length of time as is reasonably necessary to complete the same.

63.4 If the work prescribed in the Notice to Cure is not completed by Lessee in a manner reasonably satisfactory to the CEO, and Lessee fails to correct such work within the time specified by City in the mailed Notice to Cure, or as set forth in Section 62.3, City may, at City's sole option, and at Lessee's sole cost and expense, enter upon the Demised Premises and perform whatever work may, in the opinion of the CEO, be required to correct the maintenance deficiencies. If City exercises this option, Lessee shall pay to City a sum equal to the direct cost of labor and materials

expended for said work, plus a surcharge equal to fifty percent (50%) of said direct cost. Payment shall be made within thirty (30) days of invoice date.

**Section 64. City's Right of Access and Inspection.**

64.1 City, by and through 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, or otherwise, and no abatement of rental shall be claimed by or allowed to Lessee by reason of the exercise of such rights. In the exercise of its rights under this Section, City, its officers, employees, agents, and contractors shall not unreasonably interfere with the conduct of Lessee's business on the Demised Premises as herein authorized.

**Section 65. Insurance.**

65.1 Lessee shall procure at its expense, and keep in effect at all times during the term of this Lease, the types and amounts of insurance specified on Exhibit E, 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, its Department of Airports, its Board and all of City's officers, employees, and agents, their successors and assigns, as additional insureds, against the areas of risk described on Exhibit E, hereof with respect to Lessee's acts or omissions in its operations, use, and occupancy of the Demised Premises or other related functions performed by or on behalf of Lessee in, on or about Airport.

65.2 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 Lease with the City of Los Angeles."

65.3 All such insurance shall be primary and noncontributing with any other insurance held by City and its Department of Airports where liability arises out of or results from the acts or omissions of Lessee, its agents, employees, officers, assigns, or any person or entity acting for or on behalf of Lessee. Such policies may provide for reasonable deductibles and/or retentions acceptable to the CEO based upon the nature of Lessee's operations and the type of insurance involved.

65.4 City shall have no liability for any premiums charged for such coverage(s). The inclusion of City, its Department of Airports, Board and all of City's officers, employees, and 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 Lessee in Lessee's operations at Airport. In the event Lessee 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 Lessee, and Lessee agrees to promptly reimburse City for the cost thereof plus fifteen percent (15%) for administrative overhead. Payment shall be made within thirty (30) days of invoice date.

65.5 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, Lessee shall, within thirty (30) 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.

65.6 Lessee 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 the CEO, in both form and content in the case of foreign insurance syndicates, by Certificates of Insurance backed up by endorsements, or by other written evidence of insurance acceptable to the CEO. The documents evidencing all specified coverages shall be filed with City and shall be procured and approved in strict accordance with the provisions in Sections 11.47 through 11.56 of City's Administrative Code prior to Lessee occupying the Demised 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.

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

65.8 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 and/or directives from the State Department of Insurance or other regulatory board or agency. Lessee agrees, except where exempted, to provide City proof of said insurance by and through a surplus line broker licensed by the State of California.

#### **Section 66. City Held Harmless.**

66.1 In addition to the requirements of Section 65 herein, Lessee shall, to the fullest extent permitted by law, defend (with counsel satisfactory to City), indemnify and hold harmless City and any and all of its boards, commissioners, officers, directors, agents, employees, assigns and successors in interest (collectively "City Defendants") from and against any and all allegations, suits, claims, causes of action, liability, losses, damages, demands or expenses (including, but not limited to, attorney's fees and costs of litigation) (collectively "Claims"), prosecuted by anyone other than Lessee (including Lessee's agents, former and current employees, or competitors) by



any reason of, arising out of, related to, connected with or pertaining to: (1) the acts or omissions of Lessee, its agents, servants, employees or invitees; (2) the Lease; or (3) the Demised Premises, except to the extent Lessee proves in a court of competent jurisdiction or to a government agency (including, but not limited to, the City) that such Claim was caused by City's sole negligence or willful misconduct.

66.2 In Lessee's defense of the City under Section 65.1, including but not limited to the negotiation, compromise, and settlement of any action, the City shall retain discretion in and control of the litigation, negotiation, compromise, settlement, and appeals therefrom, as required by the Los Angeles City Charter, particularly Article II, Sections 271, 272 and 273 thereof.

66.3 Survival of Indemnities. The provisions under this Section 66 shall survive the termination of this Lease. Rights and remedies available to the City hereinabove shall survive the termination of this Lease. Further, the rights and remedies are cumulative of those provided for elsewhere in this Lease and those allowed under the laws of the United States, the State of California, and the City of Los Angeles.

**Section 67. Nondiscrimination and Equal Employment Practices/Affirmative Action Program**

**67.1 Federal Non-Discrimination Provisions.**

67.1.1 The Lessee for itself, its heirs, 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 said property described in this Lease, for a purpose for which a Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, the Lessee shall maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

67.1.2 The Lessee for itself, its 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: (1) no person on the grounds of race, color or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that the Lessee shall use the premises in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

67.1.3 The Lessee 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 the Lessee 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.

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

67.1.5 Lessee agrees that it shall insert the provisions found in Subsections 67.1.3 and 67.1.4 above in any sublease, assignment, license, or permit 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 Demised Premises herein leased.

## **67.2 Municipal Non-Discrimination Provisions.**

67.2.1 **Non-Discrimination in Use of Premises.** 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, age, physical handicap, marital status, domestic partner status, or medical condition in the lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Demised Premises or any part of the Demised Premises or any operations or activities conducted on the Demised Premises or any part of the Demised Premises. Nor shall Lessee or any person claiming under or through Lessee establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of Lessees, sublessees, or vendees of the Demised Premises. Any sublease or assignment which may be permitted under this Lease shall also be subject to all non-discrimination clauses contained in Article 2, Section 67.2.

67.2.2 **Non-Discrimination in Employment.** During the term of this Lease, Lessee agrees and obligates itself in the performance of this Lease 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, age, physical handicap, marital status, domestic partner status, or medical condition. Lessee shall take affirmative action to insure that applicants for employment are treated, during the term of this Lease, 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.

67.2.3 **Equal Employment Practices.** If the total payments made to City under this lease are \$1,000 (one thousand dollars) or more, this provision shall apply. During the performance of this Lease, Lessee 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 Lease for the convenience of the parties as Exhibit F. 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 Lessee to comply with the Equal Employment Practices provisions of this Lease may be deemed to be a material breach of this Lease. No such finding shall be made, or penalties assessed, except upon a full and fair hearing after notice and an opportunity to be heard has been given to Lessee. Upon a finding duly made that Lessee has failed to comply with the Equal Employment Practices provisions of this Lease, this Lease may be forthwith terminated, cancelled, or suspended.

67.2.4 **Affirmative Action Program.** If the total payments to City under this Lease are \$100,000 (one hundred thousand dollars) or more, this provision shall apply. During the performance of this Lease, Lessee 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 Lease for the convenience of the parties as Exhibit G. 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 Lessee to comply with the Affirmative Action Program provisions of this Lease may be deemed to be a material breach of this Lease. No such finding shall be made or penalties assessed, except upon a full and fair hearing, after notice and an opportunity to be heard has been given to Lessee. Upon a finding duly made that Lessee has failed to comply with the Affirmative Action Program provisions of this Lease, this Lease may be forthwith terminated, cancelled, or suspended.

#### **Section 68. Taxes, Permits and Licenses.**

68.1 Lessee shall pay any and all taxes of whatever character that may be levied or charged upon 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.

68.2 If a claim is made against City for any of the above charges, City shall promptly notify Lessee in writing; provided, however, that failure by City to give such notice shall not constitute a waiver of Lessee's obligation to pay such taxes, license and/or permit fees.

68.3 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.

68.4. The obligations of Lessee under this Section 68, 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. If all or any part of such taxes and/or fees, penalties, or surcharges are refunded to City, City shall remit to Lessee such sum(s) to which Lessee is legally entitled.

**Section 69. Assignments and Subleases.**

69.1 Lessee shall not, in any manner, assign, transfer, or encumber this Lease, or any portion thereof or any interest therein, without the prior written consent of the CEO, nor sublet or sublease the whole or any part of the Demised Premises, nor license or permit the use of the same, in whole or in part, without the prior written consent of the CEO. Any attempts to transfer, assign, or sublease without the consent required by this Section 69 shall be void and shall transfer no rights to the Demised Premises. Consent to one assignment, subletting, or use, or occupation shall not be deemed to be a consent to any subsequent assignment, subletting, occupation, or use. This Lease shall not, nor shall any interest therein, be assignable as to the interest of Lessee by operation of law without the prior written consent of the CEO; provided, however, that a merger of Lessee's parent into and with Lessee, with Lessee as the surviving entity, is expressly permitted and shall not be considered an "assignment" for purposes of this Lease.

69.2 City shall not unreasonably withhold its consent to the assignment of this Lease or the subletting of the Demised Premises or any portion thereof; provided, however, that the use of said premises by any such assignee or sublessee must be consistent with the use authorized herein, any prospective assignee must have a credit rating equal to or greater than the Lessee, and the prospective sublessee and/or assignee must agree to execute City's Consent to Sublease and/or Assignment Agreement. A request by Lessee for assignment or subletting shall be submitted to City in writing along with a fully executed copy of the proposed assignment or sublease, as well as a copy of all contracts or writings which set forth payments from sublessee(s)/assignee(s) to Lessee and/or which describe the acts or services to be performed by or for the sublessee(s)/assignee(s) in connection with the use of the space covered by Lease. Lessee shall promptly advise City of early termination of assignments or subleases.

69.3 In the case of an assignment, Lessee shall pay to City fifty percent (50%) of any monetary or other economic consideration received by Lessee as a result of the assignment over and above the amount of Lessee's rental and other payments due City pursuant to this Lease (excluding any consideration attributed to assets other than this Lease) after first deducting the unamortized cost of leasehold improvements which costs had been approved by City and paid for by Lessee. Subject to Section 69.1, for the purpose of this Section 69.3, an ownership change of more than 50% shall be considered an assignment.

69.4 In the case of a sublease requiring the CEO's consent to a change of use of the Demised Premises, as a condition to the Consent to Sublease, it shall not be deemed unreasonable for the City to require that Lessee shall pay to City 50 percent (50%), of any monetary or other

economic consideration received by Lessee as a result of the sublease over and above the amount of Lessee's rental and other payments due City pursuant to this Lease (excluding any consideration attributed to assets other than this Lease), after first deducting the unamortized cost of leasehold improvements which costs had been approved by City and paid for by Lessee.

69.5 In the case of a sublease, as a condition to the Consent to Sublease, it shall not be deemed unreasonable for the City to require that Lessee shall pay to City fifty percent (50%) of the monetary or other economic consideration, including but not limited to rent, received by Lessee as a result of the sublease, net of expenses mutually agreed to by both Parties. In addition to City's audit rights under Section 56 herein, Lessee shall within thirty (30) days upon City's request provide City with a written report describing the calculation of the amounts paid by Lessee for the period requested by City. The application of this Section 69.5 shall not limit the application of Section 69.4 if Section 69.4 is otherwise applicable.

**Section 70. Space Utilization.** (This Section applies to lessees who are federally certificated air carriers only)

70.1 **Accommodation.** (Not applicable to leases where commercial activities are prohibited.) It is City's expressed preference that Lessee voluntarily accommodate requests for subleasing underutilized space. When directed by City, Lessee is obliged to enter good faith negotiations with entities designated by City for the occupancy and use of portions of the Demised Premises when those premises are not in reasonably productive use. Prior to directing Lessee to enter such negotiations, City shall determine that Lessee's utilization of the space is deficient as defined by utilization standards issued by the CEO. Such utilization standards shall be issued following consultation with the Airport/Airline Affairs Committee and shall be applicable to the Demised Premises and similarly situated premises at Airport.

70.2 **Recapture.** City may remove a portion of the Demised Premises from this Lease in accordance with provisions of this Subsection if City finds that Lessee's utilization of the space is deficient as defined by utilization standards issued by the CEO. Such utilization standards shall be issued following consultation with the Airport/Airline Affairs Committee and shall be applicable to the Demised Premises and similarly situated premises at Airport. Upon such finding, City may deliver to Lessee a written "Preliminary Notice of Intent to Recapture" a portion of the Demised Premises. Such Preliminary Notice will provide Lessee an opportunity to demonstrate increased utilization over a period of no less than ninety (90) days. If Lessee fails to adequately demonstrate to the satisfaction of the CEO increased utilization within such designated period, the CEO may issue a "Notice of Intent to Recapture" to become effective 30 days from the date of the Notice. Said Notice shall include revised lease exhibits to reflect reductions in rental and Demised Premises and shall not require approval of the Board. The Lease shall be considered terminated with regard to the portion of the Demised Premises recaptured by City. City shall not be required to compensate Lessee for Lessee's improvements to the recaptured premises. In no case, shall the City's recapture of the Demised Premises result in Lessee's exceeding the utilization standards of the remaining premises as of the date of recapture.

70.3 **Cancellation.** City retains the right to cancel this Lease on thirty (30) days' notice upon Lessee's cessation of scheduled or actual service at the airport (passenger service, cargo



service or maintenance activities, as applicable). City shall not be required to compensate Lessee for Lessee's improvements.

**Section 71. Default.**

71.1 **Default Events.** The following events shall be deemed to be events of default (a "Default Event") by Lessee under the Lease:

71.1.1 Lessee fails to pay any Monthly Rent due under this Lease, which failure continues for a period of ten (10) days after actual or constructive notice that such payment should have been paid pursuant to the terms and conditions of this Lease;

71.1.2 Lessee fails to comply with any term, provision or covenant of this Lease, other than paying its Monthly Rent, and does not cure such failure within ten (10) days after Lessor has sent written notice to Lessee specifying such failure or such longer period of time as may be granted by CEO to cure such default as long as Lessee commences to cure such default within such ten (10) day period and diligently proceeds to cure such default;

71.1.3 Lessee makes an assignment of this Lease, or any rights granted to Lessee hereunder, to, and for the benefit of, Lessee's creditors;

71.1.4 Lessee, within thirty (30) days after the commencement of any proceeding against Lessee seeking adjudication of bankruptcy or reorganization, rearrangement, composition, readjustment, liquidation, dissolution or similar relief, fails to cause such proceedings to be dismissed;

71.1.5 Lessee, within sixty (60) days after the appointment without Lessee's consent or acquiescence of any trustee, receiver, or liquidator of the Lessee or a material part of its assets, fails to cause such appointment to be vacated.

71.1.6 The interests of Lessee under this Lease shall not, except at City's option and with its written consent, be assignable by operation of law. In case of the bankruptcy of Lessee, or the appointment of a receiver for Lessee and such receiver is not removed within one hundred twenty (120) days from the date of appointment, or if a receiver is appointed to take possession of the Demised Premises as a result of any act or omission of Lessee and such receiver is not removed within one hundred twenty (120) days from the date of appointment, 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, City, at its election, may, after written notice to Lessee, terminate this Lease.

71.2 **Lessor's Remedies.** Upon the occurrence of a Default Event, City, in addition to any other rights or remedies available to City at law or in equity, shall have the right to:

71.2.1 Terminate this Lease and all rights of Lessee under this Lease, by giving Lessee thirty (30) days written notice that this Lease is terminated, in which case, the provisions of Section 61 herein, shall apply and City may recover from Lessee the aggregate sum of:

71.2.1.1 The worth at the time of award of any unpaid rent that had been earned at the time of termination;

71.2.1.2 The worth at the time of award of the amount by which (A) the unpaid rent that would have been earned after termination until the time of award exceeds (B) the amount of rental loss, if any, that Lessee affirmatively proves could be reasonably avoided;

71.2.1.3. The worth at the time of award of the amount by which (A) the unpaid rent for the balance of the term after the time of award exceeds (B) the amount of rental loss, if any, that Lessee affirmatively proves could be reasonably avoided;

71.2.1.4 Any other amount necessary to compensate City for all the detriment caused by Lessee's failure to perform Lessee's obligations, including any such amounts ascertained or determined at any time after the Default Event; and

71.2.1.5 All other amounts in addition to or in lieu of those previously set out as may be permitted from time to time by applicable California law.

71.2.1.6 As used in Subsections 71.2.1.1 and 71.2.1.2, the "worth at the time of award" is computed by adding interest at the rate of ten percent (10%) per annum. As used in Subsection 71.2.1.3, the "worth at the time of award" is computed by discounting that amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award plus one percent (1%). As used in this Section, the term "rent" shall include the Monthly Rent and any and all other payments required by Lessee under this Lease.

71.2.2 Continue this Lease, and from time to time, without terminating this Lease, either

71.2.2.1 Recover all rent and other amounts payable as they become due; or

71.2.2.2 Relet the Demised Premises or any part on behalf of Lessee on terms and at the rent that City, in City's sole discretion, may deem advisable, all with the right to make alterations and repairs to the Demised Premises, at Lessee's sole cost, and apply the proceeds of reletting to the rent and other amounts payable by Lessee. To the extent that the rent and other amounts payable by Lessee under this Lease exceed the amount of the proceeds from reletting, the City may recover the excess from Lessee as and when due.

71.2.3 Upon the occurrence of a Default Event, City shall also have the right, with or without terminating this Lease, to re-enter the Demised Premises and remove all property from the Demised Premises. City may store the property removed from the Demised Premises at the expense and for the account of Lessee.

71.2.4 None of the following remedial actions, alone or in combination, shall be construed as an election by City to terminate this Lease unless City has in fact given Lessee written notice that this Lease is terminated or unless a court of competent jurisdiction decrees termination of this Lease: any act by City to maintain or preserve the Demised Premises; any efforts by City to relet the Demised Premises; any re-entry, repossession, or reletting of the Demised Premises by City pursuant to this Section. If City takes any of the previous remedial actions without terminating this Lease, City may nevertheless at any later time terminate this Lease by written notice to Lessee.

71.2.5 If City relets the Demised Premises, City shall apply the revenue from the reletting as follows: first, to the payment of any indebtedness other than rent due from Lessee to City; second, to the payment of any cost of reletting; third, to the payment of the cost of any maintenance and repairs to the Demised Premises; and fourth, to the payment of rent and other amounts due and unpaid under this Lease. City shall hold and apply the residue, if any, to payment of future amounts payable under this Lease as the same may become due, and shall be entitled to retain the eventual balance with no liability to Lessee. If the revenue from reletting during any month, after application pursuant to the previous provisions, is less than the sum of (i) City's expenditures for the Demised Premises during that month and (ii) the amounts due from Lessee during that month, Lessee shall pay the deficiency to City immediately upon demand.

71.2.6 After the occurrence of a Default Event, City, in addition to or in lieu of exercising other remedies, may, but without any obligation to do so, cure the breach underlying the Default Event for the account and at the expense of Lessee. However, City must by prior written notice first allow Lessee a reasonable opportunity to cure, except in cases of emergency, where City may proceed without prior notice to Lessee. Lessee shall, upon demand, immediately reimburse City for all costs, including costs of settlements, defense, court costs, and attorney fees, that City may incur in the course of any cure.

71.2.7 No security or guaranty for the performance of Lessee's obligations that City may now or later hold shall in any way constitute a bar or defense to any action initiated by City or unlawful detainer or for the recovery of the Demised Premises, for enforcement of any obligation of Lessee, or for the recovery of damages caused by a breach of this Lease by Lessee or by a Default Event.

71.2.8 Except where this is inconsistent with or contrary to any provisions of this Lease, no right or remedy conferred upon or reserved to either party is intended to be exclusive of any other right or remedy, or any right or remedy given now or later existing at law or in equity or by statute. Except to the extent that either party may have otherwise agreed in writing, no waiver by a party of any violation or nonperformance by the other

party of any obligations, agreements, or covenants under this Lease shall be deemed to be a waiver of any subsequent violation or nonperformance of the same or any other covenant, agreement, or obligation, nor shall any forbearance by either party to exercise a remedy for any violation or nonperformance by the other party be deemed a waiver by that party of the rights or remedies with respect to that violation or nonperformance.

71.3 **Cross Default.** Subject to all applicable provisions regarding notice, cure and grace period, a material breach of the terms of any other lease, license, permit, or contract held by Lessee with City shall constitute a material breach of the terms of this Lease and shall give City the right to terminate this Lease for cause in accordance with the procedures set forth in this Section 71.

71.4. **Failure to Pay Landing Fees.** The failure of Lessee (if Lessee is an air carrier) to pay to City its landing fees and charges pursuant to the terms of Lessee's operating permit, or if no such permit exists, then in accordance with the Board's resolution establishing the landing fees and charges, is a material breach of the terms of this Lease for which City shall have the right to declare Lessee in default of this Lease and terminate this Lease for cause in accordance with the procedures set forth in this Section 71.

## **Section 72. Waiver.**

72.1 The waiver by either party of any breach of any term, covenant, or condition herein contained shall not be deemed to be a waiver of any other term, covenant, or condition, or of any subsequent breach of the same term, covenant, or condition. The subsequent acceptance of rent hereunder by City shall not be deemed to be a waiver of any preceding breach by Lessee of any term, covenant, or condition of this Lease other than the failure of Lessee to pay the particular rent so accepted, regardless of City's knowledge of such preceding breach at the time of acceptance of such rent.

## **Section 73. Attorney's Fees.**

73.1 If City shall, without any fault, be made a party to any litigation commenced by or against Lessee arising out of Lessee's use or occupancy of the Demised Premises, then Lessee shall pay all costs expenses, and reasonable attorney's fees incurred by or imposed upon City in connection with such litigation. Each party shall give prompt notice to the other of any claim or suit instituted against it that may affect the other party.

## **Section 74. Hazardous and Other Regulated Substances.**

74.1 **Definition of hazardous substance(s).** For the purposes of this Lease, "hazardous substances" means:

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

74.1.2 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.) and/or the Resource Conservation and Recovery Act (42 U.S.C. Section 6901 et seq.); or

74.1.3 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

74.1.4 Any substance the presence of which on the Demised Premises causes or threatens to cause a nuisance upon the Demised Premises or to adjacent properties or poses or threatens to pose a hazard to the health or safety of persons on or about the Demised Premises; or

74.1.5 Any substance the presence of which on adjacent properties could constitute a trespass by Lessee; or

74.1.6 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.

74.2 **Environmental Indemnity.** Except for conditions existing prior to the original occupancy of the Demised Premises by Lessee or by Lessee's predecessors in interest, Lessee agrees to accept sole responsibility for full compliance with any and all applicable present and future rules, regulations, restrictions, ordinances, statutes, laws, and/or other orders of any governmental entity regarding the use, storage, handling, distribution, processing, and/or disposal of hazardous substances, 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 Demised Premises, on the user of the land, or on the user of the improvements. Lessee agrees that any claims, damages, penalties, or fines asserted against or levied on City and/or the Lessee as a result of noncompliance with any of the provisions in this Section shall be the sole responsibility of the Lessee and that Lessee shall indemnify and hold City harmless from all such claims, damages, penalties, or fines, provided that Lessee shall have no responsibility for contamination to the extent that Lessee proves in a court of competent jurisdiction or to a government agency (including, but not limited to, the City) with appropriate jurisdiction over the contamination, that neither Lessee nor Lessee's predecessors in interest caused the contamination. Further, City may, at its option, pay such claims, damages, penalties, or fines resulting from Lessee's non-compliance with any of the terms of this Section, and Lessee shall indemnify and reimburse City for any such payments.

74.3 Except for conditions existing prior to the original occupancy of the Demised Premises by Lessee or Lessee's predecessors in interest, in the case of any hazardous substance



spill, leak, discharge, release or improper storage on the Demised Premises or contamination of the Demised Premises by any person, Lessee agrees to make or cause to be made any necessary repairs or corrective actions as well as to clean up and remove any spill, leakage, discharge, release or contamination, in accordance with applicable laws provided that Lessee shall have no responsibility for contamination to the extent that Lessee proves in a court of competent jurisdiction or to a government agency with appropriate jurisdiction over the contamination, that neither Lessee nor Lessee's predecessors in interest caused the contamination. In the case of any hazardous substance spill, leak, discharge, release or contamination by Lessee or its employees, servants, agents, contractors, or subcontractors on the Demised Premises or as may be discharged or released by Lessee or its employees, servants, agents, contractors, or subcontractors in, on or under adjacent property which affects other property of City or its lessees, Lessee agrees to make or cause to be made any necessary corrective actions to clean up and remove any such spill, leakage, discharge, release or contamination. If Lessee fails to repair, clean up, properly dispose of, or take any other corrective actions as required herein, City may (but shall not be required to) take all steps it deems necessary to properly repair, clean up, or otherwise correct the conditions resulting from the spill, leak, discharge, release or contamination. Any such repair, cleanup, or corrective actions taken by City shall be at Lessee's sole cost and expense and Lessee shall indemnify and pay for and/or reimburse City for any and all costs (including any administrative costs) City incurs as a result of any repair, cleanup, or corrective action it takes.

74.4 If Lessee installs or uses already installed underground storage tanks, above-ground storage tanks, pipelines, or other improvements on the Demised Premises for the storage, distribution, use, treatment, or disposal of any hazardous substances, Lessee agrees, upon the expiration and/or termination of this Lease, to remove the above referenced improvements, clean up releases of hazardous substances, or both, at the request of the CEO. Said removal and/or cleanup shall be at the Lessee's sole cost and expense and shall be undertaken and completed in full compliance with all federal, state, and local laws and regulations, as well as with the reasonable directions of the CEO.

74.5 **Lessee's Provision to City of Environmental Documents.** Unless otherwise agreed to by City, Lessee shall promptly supply City with complete and legible copies of all notices, reports, correspondence, and other documents sent by Lessee to or received by Lessee from any governmental entity concerning the Demised Premises and regarding any hazardous substance. Such written materials include, without limitation, all documents relating to any threatened or actual hazardous substance spill, leak, or discharge, or to any investigations into or clean-up of any actual or threatened hazardous substance spill, leak, or discharge including all test results.

74.6 **Survival of Environmental Indemnity Obligations.** This Section and the obligations herein shall survive the expiration or earlier termination of this Lease.

## **Section 75. Airfield Security.**

75.1 Lessee shall be responsible for fully complying with any and all applicable present and/or future rules, regulations, restrictions, ordinances, statutes, laws, airport security agreements, and/or orders of any federal, state, and/or local governmental entity regarding airfield security. Lessee shall be responsible for the maintenance and repair of that portion of the Airport perimeter

fence, including gates and doors, located on the Demised Premises or controlled by Lessee. Lessee shall comply fully with applicable provisions of the Transportation Security Administration Regulations, 49 Code of Federal Regulations (“CFR”) Sections 1500 through 1550 and 14 CFR Part 129, including the establishment and implementation of procedures acceptable to the CEO to control access from the Demised Premises to air operation areas in accordance with the Airport Security Program required by CFR Sections 1500 through 1550. Further, Lessee shall exercise exclusive security responsibility for the Demised Premises and, if Lessee is an aircraft operator, do so pursuant to Lessee's Transportation Security Administration approved Aircraft Operator Standard Security Program used in accordance with 49 CFR, Parts 1510, 1540 and 1546.

75.2 In addition to the foregoing, gates and doors located on the Demised Premises which permit entry into restricted areas at Airport shall be kept locked by Lessee at all times when not in use or under Lessee's constant security surveillance. Gate or door malfunctions which permit unauthorized entry into restricted areas shall be reported to Department of Airports' Operations Division without delay and shall be maintained under constant surveillance by Lessee until repairs are affected by Lessee or City and/or the gate or door is properly secured.

75.3 Lessee shall cooperate with City to maintain and improve Airport security, and shall cooperate in investigations of violations of state and local laws, ordinances, and rules and regulations, of any federal, state and/or local governmental entity regarding airport and airfield security. Lessee shall provide necessary assistance to, and cooperate with, City in case of any emergency. Lessee shall, upon request, provide City relevant information which will enable City to provide efficient and effective management in response to any airport or airfield emergency.

75.4 All civil penalties levied by the TSA for violation of TSA Regulations pertaining to security gates or doors located on the Demised Premises or otherwise controlled by Lessee shall be the sole responsibility of Lessee. Lessee agrees to defend and indemnify City for any federal civil penalties amounts City must pay due to any security violation arising from the Lessee's use of Demised Premises or the breach by Lessee of any obligation imposed by this Section. Lessee is also responsible for City's attorney's fees and costs.

#### **Section 76. Business Tax Registration.**

Lessee 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, or a Business Tax Exemption Number, required by City's Business Tax Ordinance (Article 1, Chapter 2, Sections 21.00 and following, of City's Municipal Code). Lessee 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.

#### **Section 77. Laws, Rules, and Regulations.**

77.1 In relation to its use and occupation of the Premises, Lessee shall be solely responsible for fully complying with any and all applicable present and/or future rules, regulations, restrictions, ordinances, statutes, laws, policies and/or orders of any federal, state, and/or local government authority, including the City and the Department of Airports (“Applicable Laws”). This Lease

shall be subject to and subordinate to all Applicable Laws and any City agreement or obligation pursuant to Applicable Laws, including but not limited to City's grant assurances to the Federal Aviation Administration.

77.2 Lessee shall be solely responsible for fully complying with any and all applicable present and/or future orders, directives, or conditions issued, given or imposed by the CEO which are now in force or which may be hereafter adopted by the Board of Airport Commissioners and/or the CEO with respect to the operation of Airport; provided, however, such orders, directives or conditions do not conflict with Applicable Laws.

77.3 Lessee shall be solely responsible for any and all civil and/or criminal penalties assessed as a result of its failure to comply with any Applicable Laws, orders, directives and or conditions.

#### **Section 78. Disabled Access.**

78.1 Lessee shall be solely responsible for fully complying with any and all Applicable Laws regarding disabled access to improvements on the Demised Premises including any services, programs, or activities provided by Lessee. Lessee shall be solely responsible for any and all damages caused by, and/or penalties levied as the result of, Lessee's noncompliance. Further, Lessee agrees to cooperate fully with City in its efforts to comply with the Americans With Disability Act of 1990, and any amendments thereto or successor statutes.

78.2 Should Lessee fail to comply with Subsection 78.1, then City shall have the right, but not the obligation, to perform, or have performed, whatever work is necessary to achieve equal access compliance. Lessee will then be required to reimburse City for the actual cost of achieving compliance, plus a fifteen percent (15%) administrative charge.

#### **Section 79. Living Wage Ordinance and Service Contractor Worker Retention Ordinances.**

##### **79.1 Living Wage Ordinance.**

79.1.1 General Provisions: Living Wage Policy. This Lease is subject to the Living Wage Ordinance ("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 H. The LWO requires that, unless specific exemptions apply, any employees of tenants or Lessees of City property who render services on the leased premises or licensed premises are covered by the LWO if any of the following applies: (1) the services are rendered on premises at least a portion of which are visited by substantial numbers of the public on a frequent basis, (2) any of 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 and to make available the forms required to secure advance EITC payments from the employer pursuant to Section 10.37.4. Lessee 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 the City. Whether or not subject to the LWO, Lessee 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), Lessee agrees to comply with federal law prohibiting retaliation for union organizing.

79.1.2 Living Wage Coverage Determination. An initial determination has been made that this is a public lease under the LWO, and, that it is not exempt from coverage by the LWO. Determinations as to whether this Lease is a public lease or license 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 and/or other interpretations of the law are considered. In some circumstances, applications for exemption must be reviewed periodically. City shall notify Lessee in writing about any redetermination by City of coverage or exemption status. To the extent Lessee claims non-coverage or exemption from the provisions of the LWO, the burden shall be on Lessee to prove such non-coverage or exemption.

79.1.3 Compliance; Termination Provisions And Other Remedies: Living Wage Policy. If Lessee is not initially exempt from the LWO, Lessee 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 Lease, and shall execute the Declaration of Compliance Form attached to this Lease as Exhibit H contemporaneously with the execution of this Lease. If Lessee is initially exempt from the LWO, but later no longer qualifies for any exemption, Lessee shall, at such time as Lessee 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 Lease and City shall be entitled to terminate this Lease and otherwise pursue legal remedies that may be available, including those set forth in the LWO, if City determines that Lessee 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 Lease. Nothing in this Lease shall be construed to extend the time periods or limit the remedies provided in the LWO.

79.1.4 Subcontractor Compliance. Lessee agrees to include, in every subcontract or sublease covering City property entered into between Lessee and any subcontractor, a provision pursuant to which such subcontractor (A) agrees to comply with the Living Wage Ordinance and the Service Contractor Worker Retention Ordinance with respect to City's

property; (B) agrees not to retaliate against any employee lawfully asserting noncompliance on the part of the Subcontractor with the provisions of either the Living Wage Ordinance or the Service Contractor Worker Retention Ordinance; and (C) agrees and acknowledges that City, as the intended third-party beneficiary of this provision may (i) enforce the Living Wage Ordinance and Service Contractor Worker Retention Ordinance directly against the subcontractor with respect to City property, and (ii) invoke, directly against the subcontractor with respect to City property, all the rights and remedies available to City under Section 10.37.5 of the Living Wage Ordinance and Section 10.36.3 of the Service Contractor Worker Retention Ordinance, as same may be amended from time to time.

**79.2 Service Contract Worker Retention Ordinance.** This Lease may be subject to the Service Contract Worker Retention Ordinance (“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 hereto for the convenience of the parties as Exhibit I. If applicable, Lessee 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 \$25,000 and a contract term of at least three (3) months shall provide retention by a successor contractor 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 contractor or subcontractor, 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 Lease and otherwise pursue legal remedies that may be available if City determines that the subject contractor violated the provisions of the SCWRO.

## **Section 80. Child Support Orders.**

80.1 This Lease 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 on Exhibit J. Pursuant to this Section, Lessee (and any subcontractor of Lessee providing services to City under this Lease) shall (1) fully comply with all State and Federal employment reporting requirements for Lessee's or Lessee's subcontractor's employees applicable to Child Support Assignments Orders; (2) 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 (3) maintain such compliance throughout the term of this Lease. Pursuant to Section 10.10(b) of the Los Angeles Administrative Code, failure of Lessee or an applicable subcontractor 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 Lessee or applicable subcontractors to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default of this Lease subjecting this Lease to termination where such failure shall continue for more than ninety (90) days after notice of such failure to Lessee by City (in lieu of any time for cure provided elsewhere in this Lease).



## **Section 81. Visual Artists' Rights Act.**

81.1 Lessee 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., hereinafter collectively "VARA" on or about the Demised Premises without first obtaining a waiver, in writing, of all rights under VARA, satisfactory to the CEO 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.

81.2 Lessee is prohibited from installing, or causing to be installed, any piece of artwork covered under VARA on the Demised Premises without the prior, written approval and waiver of the CEO. Any work of art installed on the Demised Premises without such prior approval and waiver shall be deemed a trespass, removable by City, by and through its CEO, upon three (3) days written notice, all costs, expenses, and liability therefor to be borne exclusively by Lessee.

81.3 Lessee, in addition to other obligations to indemnify and hold City harmless, as more specifically set forth in this Lease, shall indemnify and hold harmless City from all liability resulting from Lessee's failure to obtain City's waiver of VARA and failure to comply with any portion of this provision.

81.4 The rights afforded City under this provision shall not replace any other rights afforded City in this Lease or otherwise, but shall be considered in addition to all its other rights.

## **Section 82. Equal Benefits Ordinance.**

82.1. Unless otherwise exempt in accordance with the provisions of the Equal Benefits Ordinance ("EBO"), Lessee certifies and represents that Lessee 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. Lessee 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, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration. As used above, the term "Non-ERISA Benefits" shall mean any and all benefits payable through benefit arrangements generally available to Lessee'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 Lessee 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 Lessee to its employees, their spouses and the domestic partners of employees.

82.2. Lessee 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 Lease with the City of Los Angeles, the Lessee 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) 847-2625.”

82.3. The failure of Lessee to comply with the EBO will be deemed to be a material breach of the Lease by City. If Lessee fails to comply with the EBO, the City may cancel or terminate the Lease, in whole or in part, and all monies due or to become due under the Lease may be retained by the City. The 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 Lessee in actions taken pursuant to the provisions of Los Angeles Administrative Code Section 10.40, *et seq.*, Contractor Responsibility Ordinance. If the City determines that Lessee has set up or used its contracting entity for the purpose of evading the intent of the EBO, the City may terminate the Lease.

**Section 83. Condemnation.** The parties hereby agree that:

83.1. If the Demised Premises, or any portion thereof, or any interest therein, are taken by eminent domain, or otherwise, by any governmental authority, or by a "quasi-public entity" for public use, or sold to a governmental authority threatening to exercise the power of eminent domain, this Lease, and Lessee's obligation to pay rent hereunder, shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs, and the rent, fees and/or other charges hereunder shall be apportioned and paid to the date of such taking. A taking of the Demised Premises includes the taking of easements for air, light and any other easements in the land, including, but not limited to an impairment or taking of access to adjoining streets.

83.2. **Effect of Partial Condemnation.** In the event a portion of the Demised Premises are appropriated or taken and Lessee, at its sole discretion, determines that the remainder thereof is not suitable for the continued use of the Demised Premises by Lessee for conducting Lessee's operations thereon in the same manner and extent as carried on prior to such taking, Lessee shall have the right to terminate this Lease upon giving City written notice of its intent to exercise said right. Said notice shall be given not more than one hundred twenty (120) days following the date of service of a complaint in eminent domain upon Lessee, or one hundred twenty (120) days following City's demand that Lessee acknowledge its intent to terminate this Lease, unless City and Lessee agree, in writing, to an earlier termination or to extend said period. If Lessee exercises its right to terminate this Lease pursuant to this Subsection 83.2, Lessee shall give City thirty (30) days prior written notice of the effective date of said termination.

83.2.1. If, in the event of such taking of a portion of the Demised Premises, Lessee does not terminate this Lease, this Lease shall continue in full force and effect as to the part not taken, and the rent to be paid by Lessee during the remainder of the term, subject to adjustment as provided elsewhere in this Lease, shall be as follows: the Land and Improvement rental shall be reduced in the same proportion as the land and improvements taken by eminent domain bears to the area of the Demised Premises before the taking.

83.2.2. In determining whether a partial condemnation renders the remainder of the Demised Premises unsuitable for the use then being made of the Demised Premises by Lessee, Lessee, among other things, shall take into consideration the cost of restoration, the rentable area of the remaining improvements and the suitability of the remaining Demised Premises for conducting Lessee's operations thereon in the same manner and extent as carried on prior to such taking.

83.2.3. Except as provided for Section 60 hereof, should Lessee terminate this Lease pursuant to this Section 83, title to all improvements, additions or alterations constructed or installed by Lessee upon the Demised Premises and which have not already vested in City shall thereupon vest in City.

**83.3. Application of Award Upon a Total or Partial Taking.**

83.3.1. If this Lease is terminated pursuant to Section 83.2 herein, or, if all or a portion of the Demised Premises are taken, then the entire award or compensation paid for land, improvements, and buildings owned by City, the amortized portion of the value of buildings and improvements built by Lessee and which will become the property of City upon termination of this Lease, and/or loss or taking of business goodwill of City or its Department, shall be the property of City.

83.3.2. Lessee shall have the right to receive compensation for the unamortized value of the buildings and any improvements which are still owned by Lessee and which were placed on the Demised Premises by Lessee and located thereon at the time of such taking or appropriation, and for its trade fixtures, equipment, and supplies, and for loss or damage to Lessee's business goodwill. The "amortized value" which City shall be entitled to receive is a portion of the award for said Lessee-owned buildings and improvements equal to an amount determined by a ratio equal to the number of years the building and/or improvements have been in existence over the Term of the Lease, without consideration of any possibility or probability of renewal, or of options, if any. There shall be no amortization of partially constructed improvements authorized by City, if said construction is incomplete within the time period set forth in the approval granted by City. The value, to be determined by City, of such partially constructed improvements shall be paid to Lessee.

83.4. **Severance Damages.** The entire award of compensation paid for any severance damages, whether paid for impairment of access, for land, buildings, and/or improvements shall be the property of City, regardless of whether any buildings or improvements so damaged are owned or were constructed by City or Lessee. However, should City determine that improvements are to be restored, that portion of the severance damages necessary to pay the cost of restoration, as set forth in Subsection 83.5 hereof, shall be paid to Lessee upon the written request of Lessee accompanied by evidence that the sum requested has been paid for said restoration and is a proper item of such cost and used for such purpose.

83.5. **Partial Taking: Restoration.** In case of a taking of the Demised Premises other than a total taking and/or should Lessee elect not to terminate this Lease pursuant to this Section,

City and Lessee may mutually agree that Lessee shall restore any improvements on the Demised Premises, and Lessee shall, at Lessee's expense, whether or not the awards or payments, if any, on account of such taking are sufficient for the purpose, promptly commence and proceed with reasonable diligence to effect (subject to Force Majeure) restoration of the improvements on the remaining portion of the Demised Premises as nearly as possible to their condition and character immediately prior to such taking, except for any reduction in area caused thereby, or with such changes or alterations as may be made at the election of Lessee in accordance with Article 2, Section 58, Improvements and Alterations, of this Lease.

83.5.1. In the event the improvements damaged and/or taken belong to City, City shall not be obligated to restore said improvements should City, in its sole discretion, determine not to do so.

83.6. **Taking for Temporary Use.** In the event of a taking of all or any portion of the Demised Premises for temporary use, this Lease shall continue in full force and effect without reduction or abatement of rental or other sum payable hereunder, and Lessee shall be entitled to make claim for, recover and retain any awards or proceeds made on account thereof, whether in the form of rent or otherwise, unless such period of temporary use or occupancy extends beyond the term of this Lease, in which case such awards or proceeds shall be apportioned between City and Lessee as heretofore specified. Lessee shall restore or cause to be restored any such areas temporarily taken to the condition existing before the taking.

#### **Section 84. Miscellaneous Provisions.**

84.1. **Fair Meaning.** The language of this Lease shall be construed according to its fair meaning, and not strictly for or against either City or Lessee.

84.2. **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.

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

84.4. **Two Constructions.** 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.

84.5. **Laws of California; Venue.** This Lease shall be construed and enforced in accordance with the laws of the State of California, without regard to any conflict of laws provisions. In any action arising out of or relating to this Lease, Lessee and City consent to the venue of the federal, state or administrative courts in the City of Los Angeles, and agree not to bring any such action in any other jurisdiction or venue. In any such action, Lessee and City waive any objection as to personal jurisdiction, venue, or *forum non conveniens*.

84.6. **City's Consent.** In each instance herein where City's, Board's or the CEO's approval or consent is required before Lessee may act, such approval or consent shall not be unreasonably withheld, unless otherwise provided.

84.7. **Gender.** 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.

84.8. **Exclusivity.** 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 [49 U.S.C. 40103(e) and 47107(a)(4) (Public Law 103-272; 108 STAT. 1102)].

84.9. **Rights of United States Government.** 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. Failure of Lessee or any occupant to comply with the requirements of any existing or future agreement between the City and the United States, which failure shall continue after reasonable notice to make appropriate corrections, shall be cause for immediate termination of Lessee's rights hereunder.

84.10. **War or National Emergency.** 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, operation, regulation, and taking over of Airport or the exclusive or nonexclusive use of Airport by the United States during the time of war or national emergency.

84.11. **Time.** Time shall be of the essence in complying with the terms, conditions, and provisions of this Lease.

84.12. **Integration Clause.** This is an integrated agreement. It is understood that no alteration or variation of the terms of this Lease shall be valid unless made in writing and signed by the parties hereto. This Lease contains the entire agreement between the parties hereto and supersedes any and all prior written or oral agreements between them concerning the subject matter contained herein. There are no representations, agreements or understandings, oral or written, between and among the parties relating to the subject matter contained in this Lease which are not fully set forth herein.

84.13. **Force Majeure.** Except as otherwise provided in this Lease, whenever a day is established in this Lease on which, or a period of time, including a reasonable period of time, is designated within which, either party hereto is required to do or complete any act, matter or thing, the time for the doing or completion thereof shall be extended by Force Majeure (as hereinafter defined); provided, however, that nothing contained in this Section 86.13 shall excuse Lessee from the prompt payment of any rental or other monetary charge required of Lessee hereunder.

For purposes of this Lease, the term "Force Majeure" shall mean, in relation to the conditions that may cause a party to be temporarily, partially or wholly prevented from performing its obligations to the other party under this Agreement and not for any other purpose or for any benefit of any



third party: any event beyond the reasonable control of the party claiming it, including, but not limited to, embargoes, shortages of material, acts of God, acts of public enemy (such as war, (declared or undeclared), invasion, insurrection, terrorism, riots, rebellion or sabotage), acts of a governmental authority (such as the United States' Department of Transportation, the United States Federal Aviation Administration, the United States Transportation Security Administration, the United States Environmental Protection Agency and defense authorities), fires, floods, earthquakes, hurricanes, tornadoes and other extreme weather conditions; provided, however, that strikes, boycotts, lockouts, labor disputes, labor disruptions, work stoppages or slowdowns shall not be considered an event of Force Majeure. The term Force Majeure includes delays caused by governmental agencies in the processing of applicable building and safety permits but only to the extent that such processing time actually exceeds the normal and reasonable processing time period for such governmental agency permit; provided, however, that any delays caused by Lessee or its Contractors in the processing of such permits (such as Lessee or its Contractors' failure to submit complete applications for such permits) shall not be considered a basis for a claim of Force Majeure by Lessee. Any lack of funds shall not be deemed to be a cause beyond the control of a party. If Lessee shall claim a delay due to Force Majeure, Lessee must notify City in writing within five (5) business days of the first occurrence or knowledge of any claimed event of Force Majeure. Such notice must specify in reasonable detail the cause or basis for claiming Force Majeure and the anticipated delay in Lessee's performance to the extent such anticipated delay is known to Lessee at the time such notice to City is required. If Lessee fails to provide such notice within said five (5) business-day period, then no Force Majeure delay shall be deemed to have occurred. Delays due to events of Force Majeure shall only be recognized to the extent that such event actually delays the performance by such party and cannot otherwise be mitigated using commercially reasonable efforts.

84.14. **Approvals.** Any approvals required by City under this Lease shall be approvals of the Department of Airports acting as Lessor and shall not relate to, constitute a waiver or, supersede or otherwise limit or affect the governmental approvals or rights of the City as a governmental agency, including the approval of any permits required for construction or maintenance of the Demised Premises and the passage of any laws including those relating to zoning, 15nd use, building and safety.

84.15. **Conflicts in this Lease.** If there are any direct conflicts between the provisions of Article 1 and Article 2 of the Lease, the provisions of Article 1 shall be controlling. If there are any direct conflicts between the provisions of Article 1 and Article 2 of the Lease and the Exhibits, the provisions of Articles 1 and 2 shall be controlling, provided nothing herein shall be construed to contradict Applicable Laws.

84.16. **Ordinance and Los Angeles Administrative Code (hereinafter referred to as "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 and/or code language, or amendments thereto, the language of the ordinance and/or code shall govern.

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

84.18. **Days.** Unless otherwise specified, "days" shall mean calendar days.

84.19. **Deprivation of Lessee's Rights.** City shall not be liable to Lessee for any diminution or deprivation of Lessee's rights under this Lease which may result from Lessee's obligation to comply with any and all Applicable Laws and/or orders of any federal, state and/or local government authority and/or court hereunder on account of the exercise of any such authority as is provided in this Subsection 84.19, nor shall Lessee be entitled to terminate the whole or any portion of the Lease by reason thereof.

84.20. **Reconciliation of Area and/or Square Footage:** If, at any time, it is discovered that any measurement of any portion(s) of the Demised Premises stated in this Lease is inaccurate, this Lease shall be amended to appropriately reflect the correct measurement(s), and corresponding adjustments in the Monthly Rent shall be made. Any such adjustment(s) made to the Monthly Rent, shall be retroactive to the commencement of the Lease, or to that date(s) on which City deems approval of correct measurement(s) to the Demised Premises is appropriate.

#### **Section 85. First Source Hiring Program For Airport Employers (LAX only)**

85.1 Lessee shall comply with the provisions of the First Source Hiring Program adopted by the Board. The rules, regulations, requirements, and penalties of the First Source Hiring Program are attached as Exhibit K and made a material term of this Lease. Lessee shall be an "Airport Employer" under the First Source Hiring Program.

#### **Section 86. Other Agreements Not Affected.**

86.1. Except as specifically stated herein, this Lease, and the terms, conditions, provisions and covenants hereof, shall apply only to the Demised Premises herein particularly described and shall not in any way change, amend, modify, alter, enlarge, impair, or prejudice any of the rights, privileges, duties, or obligations of either of the parties hereto, under or by reason of any other agreement between said parties, except that nothing contained in such other agreement shall limit the use by Lessee of the within Demised Premises for the herein referred to purpose.

#### **Section 87. Noise Abatement Procedures. (Applicable to LAX air carrier only).**

87.1 Pursuant to the requirements of the 1993 LAX Noise Variance and in order to limit the use of auxiliary power units (APU's), Lessee hereby agrees to provide a sufficient number of ground power units at each gate and maintenance area used by Lessee's aircraft on the Demised Premises. Said ground power units shall be made available for use by Lessee's aircraft within ninety (90) days from the effective date of this Lease. Further, Lessee hereby agrees to comply with the Department of Airports' Noise Abatement Rules and Regulations.

**Section 88. Contractor Responsibility Program.**

88.1. Lessee shall comply with the provisions of the Contractor Responsibility Program adopted by the Board. The 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 L and incorporated herein by reference.

**Section 89. Alternative Fuel Vehicle Requirement Program (LAX Only).**

89.1. Lessee shall comply with the provisions of the Alternative Fuel Vehicle Requirement Program. The rules, regulations, and requirements of the Alternative Fuel Vehicle Requirement Program are attached hereto as Exhibit M and made a material term hereof.

**Section 90. Campaign Contributions.**

90.1 Lessee, its sublessees and subcontractors, and their respective principals (hereinafter, "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 officials or candidates for elected City office if the contract or lease is valued at \$100,000 or more and requires approval of a City elected official. Additionally, Lessee is required to provide and update certain information to the City as specified by law. Lessee and any sublessee subject to Charter Section 470(c)(12) shall include the following notice in any contract or lease with a sublessee expected to receive at least \$100,000 for performance under this contract:

**"Notice Regarding Los Angeles Campaign Contribution and Fundraising Restrictions"**

As provided in Charter Section 470(c)(12) and related ordinances, you are sublessee on City of Los Angeles contract #\_\_\_\_\_. Pursuant to City Charter Section 470(c)(12), sublessee 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. The sublessee is required to provide to Lessee names and addresses of the sublessee's principals and contact information and shall update that information if it changes during the 12 month time period. Sublessee's information included must be provided to Lessee within 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."

90.2 Lessee, its sublessees, and their Principals shall comply with these requirements and limitations. Violation of this provision shall entitle the City to terminate this Lease and pursue any and all legal remedies that may be available.

**SIGNATURE BLOCKS**

IN WITNESS WHEREOF, the parties hereto have themselves or through their duly authorized officers caused this Lease to be executed as of the day and year hereinbelow written.

**APPROVED AS TO FORM:**

MICHAEL N. FEUER  
City Attorney

**CITY OF LOS ANGELES**

Date: 5/2/19

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

By: [Signature]  
Deputy/Assistant City Attorney

By \_\_\_\_\_  
Chief Executive Officer  
Department of Airports

**ATTEST:**

**UNITED AIRLINES, INC.**

By [Signature]  
Assistant Secretary (Signature)

By [Signature]  
Signature

Erin Conway  
Print Name

Brett J. Hart

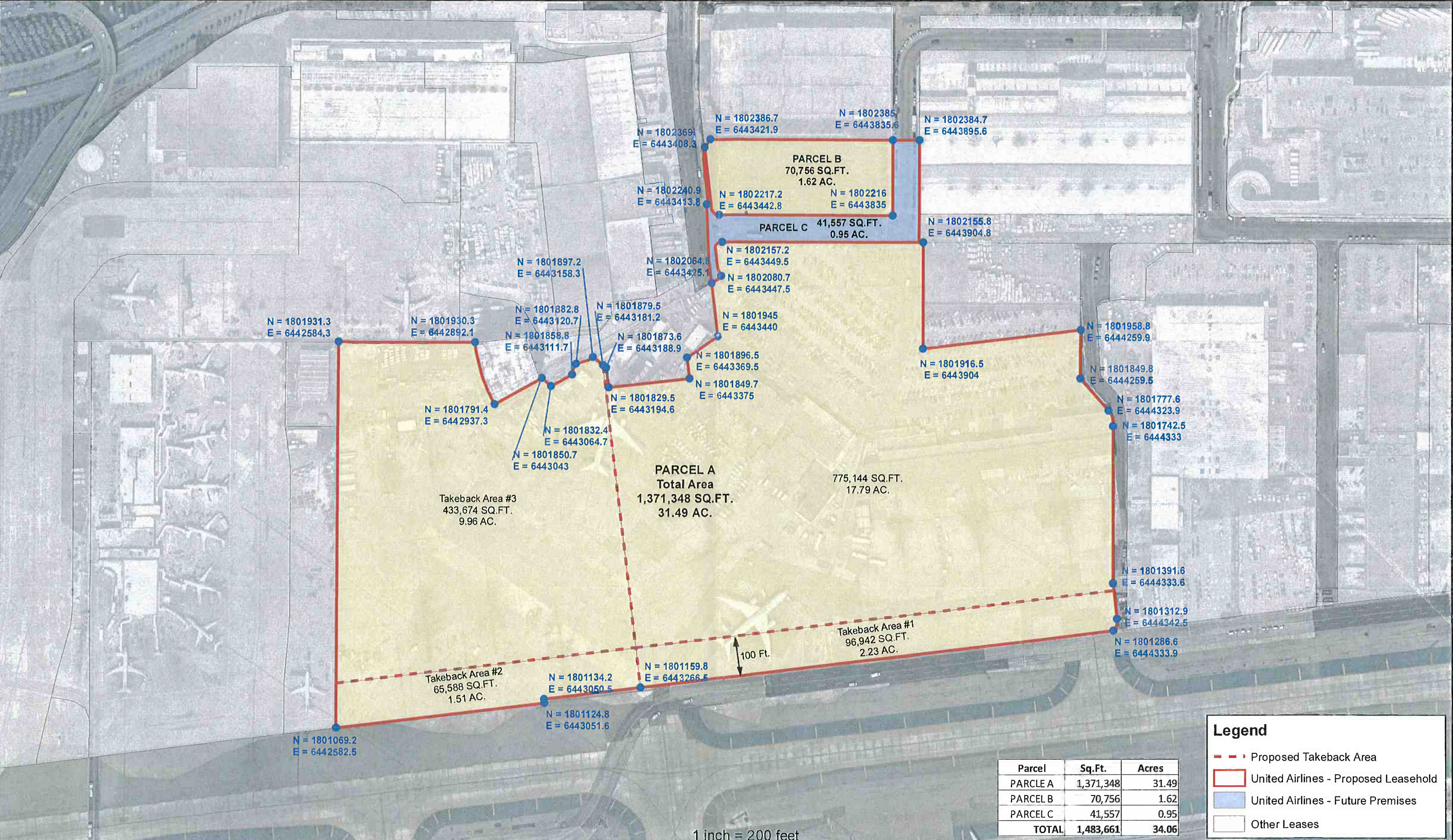
[SEAL]

XXXXXX  
Executive Vice President  
XXXXXXXXXXXXXXXXXXXX





UNITED AIRLINES  
Lease -- Proposed Aircraft Maintenance Hangar - 6000-6024 Avion Drive





## EXHIBIT B

LOS ANGELES WORLD AIRPORTS  
United Airlines, Inc.  
Aircraft Maintenance Hangar East Facility  
6000 - 6024 Avion Drive, LAX

<u>Description</u>	<u>Area (Square Feet)</u>	<u>Basic Rate PSFPY</u>	<u>Monthly Base Charge(1) (3)</u>	<u>Resolution (2)</u>
<b>Parcel "A" - Historical Premises</b>				
Avion 6000 - Land - Maint.>20A	1,371,348	\$2.82	\$322,266.78	25748
Avion 6000 - Paving - Aircraft Concr.	1,108,277	\$0.81	\$74,808.70	18072
Avion 6000 - Paving - Car Asphalt	125,057	\$0.41	\$4,272.78	18072
			<u>\$401,348.26</u>	
<b>Parcel "B" - Portion of Surface Lot "F"</b>				
Avion 6000 - Land - Maint.>20A	70,756	\$2.82	\$16,627.66	25748
Avion 6000 - Paving - Car Asphalt	70,756	\$0.41	\$2,417.50	18072
			<u>\$19,045.16</u>	
<b>Parcel "A" + Parcel "B"</b>			<u><u>\$420,393.42</u></u>	
<b>Residual Improvements Through December 31, 2020 Only</b>				
Avion 6000 - Building - Hangar	135,744		\$110,000.00	
<b>Total Monthly Base Charge (upon Lease Commencement):</b>			<u><u>\$530,393.42</u></u>	
<b>Parcel "C" - Expansion Option</b>				
Avion 6000 - Land - Maint.>20A	41,557	\$2.82	\$9,765.90	25748
Avion 6000 - Paving - Car Asphalt	41,557	\$0.41	\$1,419.86	18072
<b>Additional Rent (Estimated)</b>			<u>\$11,185.76</u>	
<b>Option - Take Back Area # 1</b>				
Avion 6000 - Land - Maint.>20A	96,942	\$2.82	\$22,781.37	25748
Avion 6000 - Paving - Aircraft Concr.	96,942	\$0.81	\$6,543.59	18072
<b>Rent Reduction (Estimated)</b>			<u>(\$29,324.96)</u>	
<b>Option - Take Back Area # 2</b>				
Avion 6000 - Land - Maint.>20A	65,588	\$2.82	\$15,413.18	25748
Avion 6000 - Paving - Aircraft Concr.	65,588	\$0.81	\$4,427.19	18072
<b>Rent Reduction (Estimated)</b>			<u>(\$19,840.37)</u>	
<b>Option - Take Back Area # 3</b>				
Avion 6000 - Land - Maint.>20A	433,674	\$2.82	\$101,913.39	25748
Avion 6000 - Paving - Aircraft Concr.	433,674	\$0.81	\$29,273.00	18072
<b>Rent Reduction (Estimated)</b>			<u>(\$131,186.39)</u>	
<b>Initial Performance Guaranty (Estimated):</b>			<u><b>\$1,591,180.25</b></u>	

**NOTES:**

1. Fees and other charges, as set forth in this payment exhibit are subject to adjustment pursuant to the terms of the Lease.
2. Resolution #'s reflect current Board-approved rental rates. The rates and Resolution #'s will be updated as Board approves new rates.
3. Payment amounts are estimated, are subject to re-calculation by LAWA Accounting, with applicable taxes to be included.