

MANAGEMENT/CONCESSION
AGREEMENT

WITH

VIP HOSPITALITY L.L.C.

FOR OPERATION OF LOUNGE
SERVICES AT
SEATTLE-TACOMA INTERNATIONAL
AIRPORT



PORT OF SEATTLE
SEATTLE-TACOMA INTERNATIONAL AIRPORT
MANAGEMENT AGREEMENT FOR OPERATION OF LOUNGE SERVICES

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PORT OF SEATTLE
SEATTLE-TACOMA INTERNATIONAL AIRPORT
MANAGEMENT AGREEMENT FOR OPERATION OF LOUNGE SERVICES

This Management Agreement for Operation of Lounge Services (hereinafter "Management Agreement") is made on the fifth day of March, 2010, by and between the Port of Seattle, a Washington municipal corporation ("Port") and VIP Hospitality L.L.C, ("Contractor").

WITNESSETH

WHEREAS, the Port, an owner and operator of Seattle-Tacoma International Airport ("Airport"), desires to provide a wide range of services for the benefit of the air traveling public and others using the Airport; and

WHEREAS, currently, customer airlines rent Club International, the Port's common use lounge on a per-flight basis and cater exclusively to their own passengers; and

WHEREAS, demand for lounge service has increased in recent years while the supply of available service in the Airport's South Satellite has remained constant; and

WHEREAS, the Port is interested in a new business model that would allow the use of the lounge by multiple airlines simultaneously while providing a higher level of service and meet the Airport's business objectives of satisfying increasing demand from international carriers for premium lounge service and providing a key amenity that can be used to attract new business to the Airport; and

WHEREAS, Contractor is interested in operating, managing and maintaining lounge services at designated lounges at the Airport in consideration of management fees to be paid by the Port; and

WHEREAS, the Port may enter into certain agreements with airlines or other businesses who will pay the Port for use of designated lounges at the Airport by their customers and/or employees; and

WHEREAS, the Port may designate certain lounges at certain times for use by persons who may pay on a per-use basis for their use of such lounges; and

WHEREAS, the Port wishes to have the Contractor be responsible for all tasks required to operate efficient, reliable and profitable lounge services in clean, attractive, safe and well-maintained facilities;

NOW, THEREFORE, in consideration of their mutual promises, the parties mutually agree as follows:

1. TERM

This Management Agreement is effective as of the date it is executed by the Port and Contractor ("Effective Date"). Unless earlier terminated, the term of this Management Agreement shall be three (3) years commencing on the Effective Date. At the sole discretion of the Port the Agreement may be extended beyond the three years for one or two, one-year periods.

2. DESIGNATION OF LOUNGES

The Port shall have the sole discretion to determine the number of locations of lounges at the Airport to be managed by Contractor ("Designated Lounge(s)"). Attached at **Exhibit A** is a list of each Designated Lounge as well as depiction of the Lounge premises and location within the Airport, which may be amended by the Port at any time with reasonable notice to the Contractor.

3. HOURS OPEN FOR USE, RULES OF CONDUCT, MENUS AND OTHER POLICY MATTERS RELATING TO OPERATION OF DESIGNATED LOUNGES

For each Designated Lounge, the Port shall have sole discretion to set the hours each Designated Lounge will be open for use, determine the rules of conduct for users, establish menus and decide other matters of policy relating to the operation of each Designated Lounge. The Port shall retain the right to make changes from time to time in matters of policy relating to the operation of each Designated Lounge.

4. LOUNGE PATRONS

"Lounge Patrons" are airlines and other businesses or entities that contract with the Port for use of Designated Lounges by their passengers, customers, employees ("Pre-paid Lounge Users"). Except as provided in Section 5, Contractor has no authority to allow any person to use a Designated Lounge unless the person is a Pre-paid Lounge User covered by a contract between the Port and a Lounge Patron.

5. PAY-PER-USE CUSTOMERS

"Pay-per-use customers" are persons who pay for his/her use of a Designated Lounge on a per-use basis. The Port, in its sole discretion, may allow Pay-per-use Customers to use certain Designated Lounges at certain times to be determined by the Port.

6. TRACKING USE BY PRE-PAID LOUNGE USERS AND PAY-PER-USE CUSTOMERS

a. The Port shall provide Contractor with a list identifying Lounge Patrons for Designated Lounges. Contractor shall be responsible for ensuring that every person granted admission to a Designated Lounge as a "Pre-paid Lounge User" presents proof of such status. Proof of "Pre-paid Lounge User" status can include an airline boarding pass, or a voucher issued by the Port. In the event a visitor claims s/he is a "Pre-paid Lounge User" based on pre-payment by an airline, but s/he fails to present acceptable proof, Contractor shall contact the Duty Manager of the appropriate Airline to resolve the issue. Port will provide in writing a list of documents for each designated lounge that are acceptable as proof of status for all visitors requesting admission as Pre-paid Lounge Users.

Contractor shall create and maintain daily records noting and preserving reasonable evidence of each Pre-paid Lounge User's affiliation with a Lounge Patron. Contractor shall provide to Port a detailed report in a format specified by Port no later than the third day of each month providing information about the use of the Lounge by Pre-paid Lounge Users which shall serve as a basis for preparing invoices to Lounge Patrons. The Port will contract with each Lounge Patron to provide Lounge services at a flat rate per head for each Pre-paid Lounge User.

b. With respect to Pay-per use customers, the Contractor shall create and maintain daily records, noting each Pay-per-use Customer, and shall collect fees on a "per-use" basis. "Per-use" shall mean all goods consumed or used and all services received during a four-hour period of use. Contractor shall accept only debit or credit cards for payment of fees. Contractor shall provide to Port a detailed report in a format specified by Port no later than the third day of each month providing information about the use of the Lounge by Pay-per-use Customers. The Port will set a flat fee per-use, without regard to the type or amount of goods consumed or used or services received. Contractor shall not be responsible for itemizing goods or services provided to each Pay-per-use Customer.

7. CONTRACTOR REPRESENTATIVE

Within seven (7) days of the Effective Date of this Management Agreement, the Contractor shall name a Contractor Representative for the purposes of providing the Port with a primary point of contact for communications relating to the Contractor's performance under the Management Agreement and the management of the day-to-day relationship with the Port. Said Contractor Representative shall be an employee or

officer of the Contractor. The Contractor shall provide the Port with a phone number or phone numbers at which the Contractor Representative or Contractor Representative's designee can be reached 24 hours a day, seven days a week.

8. FULL-TIME MANAGER

Within thirty (30) days of the Effective Date of this Management Agreement, the Contractor shall appoint a full-time manager whose time will be devoted to the management of lounge services. The Contractor will provide contact information to the Port for the full-time manager.

9. PORT REPRESENTATIVE

Within seven (7) days of the Effective Date of this Management Agreement, the Port shall name a Port Representative for the purposes of providing the Contractor with a primary point of contact for communications relating to performance under the Management Agreement. The Port shall provide the Contractor with the Port Representative's contact information.

10. PURCHASE, STORAGE AND INVENTORY

- a. Contractor shall purchase, store and inventory food and beverages, including alcoholic beverages, of a quality and quantity appropriate for consumption by Pre-paid Lounge Users and Pay-per-use Customers.
- b. Contractor shall purchase, store and inventory equipment and supplies necessary to serve food and beverages to Pre-paid Lounge Users and Pay-per-use Customers.
- c. Contractor shall purchase, store and inventory equipment and supplies necessary to operate and maintain clean, attractive and safe facilities at Designated Lounges.

11. MAINTAINING CLEAN, SAFE, AND HEALTHY LOUNGES

- a. Contractor shall perform or arrange for the performance of cleaning and maintenance of Designated Lounges.
- b. Contractor shall maintain facilities, at all times, so that Designated Lounges are clean, safe, and healthy in accordance with the best practices of Contractor's industry. Contractor shall immediately notify the Port Representative, in writing, of any notices of

violations received during or in connection with inspections by any government or regulatory agency. In the event a notice of violation is received, Contractor shall prepare action plans to correct the conditions causing the violations.

c. Contractor shall inspect each Designated Lounge on a weekly basis to ensure clean, safe, and healthy conditions. Contractor shall notify the Port Representative, in writing, of any condition in the physical elements of the Lounge facilities that may compromise the health or safety of Contractor's employees, agents, subcontractors, Pre-paid Lounge Users or Pay-per-use customers that the Contractor is not able to correct.

d. Contractor shall be solely responsible for addressing any issues related to the health or safety of Contractor's employees, subcontractors or agents while at work, including but not limited to taking all appropriate and necessary action to respond to any accident or incident involving Contractor's employees, subcontractors or agents and assuming all cost and liability associated with such issues.

e. Contractor shall immediately notify the Port Representative of any accident or incident in the Lounge premises involving injury to a customer or damage to the premises. Contractor shall also advise the Port in writing of whatever action the Contractor has taken to immediately respond to such accident or incident.

f. Contractor shall comply with all applicable safety and health standards, regulations and laws, including but not limited to food handling and serving requirements of the City of SeaTac, King County and State of Washington. A copy of some of the applicable safety and health standards is attached at **Exhibit B** and incorporated here by reference. Provided, however, by referencing such standards, the Port does not imply or warrant that **Exhibit B** constitutes a complete or current list of applicable standards, regulations and laws. It is the Contractor's sole responsibility to ensure that its officers, employees and subcontractors comply with current and applicable safety and health standards, regulations and laws.

12. PREVENTING UNAUTHORIZED ENTRY, IMPROPER USE OF DESIGNATED LOUNGES

Contractor shall take all reasonable measures to prevent the unauthorized entry to or improper use of Designated Lounges. Contractor shall report any unauthorized entry or improper use to the Port Representative.

13. NO GUARANTEE OF LEVEL OF BUSINESS

During the review of the Operating Budget (term defined below in Section 21), the Port shall provide Contractor with an estimate of the level of business expected for each Designated Lounge. The Port does not guarantee any particular level of business and does not warrant the continued operation of any Designated Lounge.

14. LIQUOR LICENSE, ALCOHOL SERVER PERMITS, COMPLIANCE WITH ALCOHOL BEVERAGE CONTROL LAWS, STATE LIQUOR CONTROL BOARD RULES

The Port shall apply for a license to sell alcohol on the premises of the Designated Lounges. To the extent that the Port obtains such a license, Contractor shall comply with State alcohol beverage control laws at Title 66 RCW and State Liquor Control Board rules at Title 314 WAC to ensure that the license is maintained. Without limiting the generality of the foregoing statement, Contractor shall be responsible for obtaining and maintaining alcohol server permits, as well as any necessary agreements with the State Liquor Control Board, and checking the identification of Pre-paid Lounge Users and Pay-per-use Customers. To the extent permitted by law, Contractor shall also purchase alcohol to be served in Designated Lounges as an agent of the Port and obtain and maintain any necessary permits or agreements with the State Liquor Control Board or other public regulatory or licensing agencies to buy and serve alcohol. In the event that the Port determines, in its sole discretion, that it is not logistically practical, economically feasible, or otherwise appropriate for the Port to be the liquor licensee, Contractor shall apply for the liquor license and obtain any necessary agreements and permits.

15. PROCUREMENT

Contractor shall use its best efforts to procure all food, beverages, supplies and equipment necessary to provide Lounge Services from vendors offering the best value, in terms of highest quality for the lowest price. The Port retains the right to disapprove any vendor selected by Contractor or select vendors for Contractor from time to time.

Contractor has no authority to bind, nor shall it bind, the Port to any contract it executes without the prior written approval of the Port. All contracts entered into pursuant to this Section, without regard to whether the Port is bound by such contracts, shall contain a provision: (i) that the Port of Seattle is a third-party beneficiary of the agreement, (ii) that all representations, warranties and guaranties are fully assignable to the Port of Seattle, and (iii) that the contract may be assigned to and assumed by the Port of Seattle in the

event of termination of this agreement. In addition, all goods acquired pursuant to this Section shall be titled in the name of the Port of Seattle.

16. STORAGE AND OFFICE SPACE TO BE PROVIDED BY PORT

Port shall provide to Contractor adequate space, without charge, for storage of food, beverages, supplies and equipment necessary for the performance of this Management Agreement. Port shall provide to Contractor space, without charge, for Contractor's full-time manager and other personnel to perform tasks related to this Management Agreement including, but not limited to, record-keeping, accounting, preparation of Operating Budgets, Operating Statements and other reports to the Port, procurement, and communications with the Port. The location of the space shall be determined by the Port in its sole discretion.

17. HIRING, TRAINING, AND SUPERVISION OF PERSONNEL

- a. Contractor shall hire, train and/or retain, supervise and discipline qualified personnel to perform the services for which Contractor is responsible under this Management Agreement. Such personnel may be subcontractors or employees of Contractor.
- b. Contractor shall require personnel to dress in uniforms when performing work assignments.
- c. Contractor shall submit samples of proposed uniforms and proposed name badges to the Port for approval prior to the opening of the first Designated Lounge. Name badges will be used only if the Port approves their use and will be used only as directed by the Port.
- d. Contractor shall require its personnel during work hours to use only those entrances and exits designated by the Port Representative for their use. Said entrances and exits will be designated by the Port Representative in consultation with building management.
- e. Contractor shall restrict its personnel to assigned areas during work hours unless the Port expressly agrees to other areas.
- f. Contractor shall train substitute personnel to relieve regular personnel in the event of absences so as to maintain high quality Lounge Services at all times.
- g. Contractor shall designate one personnel acting manager in the event that the regular full-time Manager or the Contract Representative cannot be reached by the Port Representative.

- h.** Contractor shall require such personnel to comply with all instructions, standards, regulations, and codes of conduct as specified by the Port.
- i.** Absent standards provided by the Port, Contractor shall perform in accordance with best practices in Contractor's industry.
- j.** Contractor shall train personnel to comply with all Washington State alcohol beverage control laws and Liquor Control Board regulations as well as all applicable public health and safety laws, regulations and standards.

18. FIRST YEAR OF OPERATION

Within fourteen (14) days of the Effective Date of this Management Agreement, the Port and Contractor shall meet and confer on the number of personnel to be employed by Contractor, levels of inventory to be maintained, sources of procurement, lead times for ordering inventory, and locations where food, beverages, supplies and equipment will be stored.

19. DESCRIPTION OF SERVICES TO BE OFFERED AT DESIGNATED LOUNGES

A menu (or menus) of goods and services to be provided by Contractor at Designated Lounges is/are attached as **Exhibit C**. Contractor shall provide the goods and services called for in the attached **Exhibit C** unless amended in writing by the Port.

20. OPERATING EXPENSES TO BE PAID BY PORT

All Operating Expenses as defined in Section 24(a)(2) will be paid for by the Port either through the use of an Expense Fund as described in Section 26 or shall be borne directly by the Port.

21. ANNUAL OPERATING BUDGET

- a.** Except for the first year of operation under this Management Agreement, Contractor shall prepare a draft Annual Operating Budget for Lounge Services and submit such draft to the Port at least three months prior to the start of the Port's Fiscal Year.
- b.** For the development of an Annual Operating Budget, the Contractor shall consider the following information to the extent such information is available: 1) number of Designated Lounges to be operated during the Port's Fiscal Year; 2) menus of goods and services to be provided at each Designated Lounge to be operated during the

Port's Fiscal Year; 3) number of Lounge Patrons under contract with the Port; 4) estimated number of Pre-paid Lounge Users expected to be served; 5) estimated capacity of each Designated Lounge; 6) estimated number of Pay-per-use Customers. To the extent such information is available, the Port shall provide it to Contractor.

c. The Annual Operating Budget shall include reasonable details regarding time and money to be spent on operations, as well as estimates of Operating Expenses. The proposed expenditures for the Fiscal Year shall be summarized in a Summary page.

d. After the Port receives the draft Operating Budget from the Contractor, the Port will meet as soon as reasonably possible with Contractor to discuss the Annual Operating Budget. Following such meeting, the Port will advise Contractor in writing whether the Port accepts or rejects the Annual Operating Budget. If the Port chooses to reject it, the Port will provide specific reasons for the rejection. Contractor shall then submit an amended Annual Operating Budget that addresses the Port's concerns. When the Annual Operating Budget is approved, Contractor is authorized to incur the expenditures and implement the provisions of the Annual Operating Budget. Contractor shall not expend more than the operating expenses described in the Summary Page without the Port's prior written approval. Contractor shall not exceed spending for any line item on the Summary Page by more than 15 percent without the Port's prior written approval. With the exception of the first year of operation, until the Annual Operating Budget is established, Contractor must operate the Designated Lounges in accordance with the prior year's Annual Operating Budget or actual results from the prior year, whichever is more favorable to the Port.

22. OPERATING STATEMENTS

Contractor shall provide to the Port monthly operating statements. Each operating statement shall consist of three parts. The first part shall provide details regarding the number of Pre-paid Lounge Users and/or Pay-per-use Customers for each Designated Lounge during the previous calendar month and clearly indicate which Pre-paid Lounge Users should be billed to which Lounge Patron. The second part shall provide a breakdown of all Operating Expenses (term defined below in Section 24), Direct Operating Expenses (term defined below in Section 24), and expenditures from the Expense Fund (term defined below in Section 26) incurred during the previous calendar month. The third party shall provide a narrative detailing significant activities and ongoing projects during the previous calendar month and highlight opportunities for improvement of services. Port may specify changes to format and/or content of operating statements from time to time and will advise Contractor of such changes.

23. PRE-OPENING RESPONSIBILITIES

Contractor shall prepare and submit to the Port Representative a time-line for accomplishing "Pre-opening Responsibilities" to achieve the opening date of the Designated Lounge(s) as proposed by Contractor in its Proposal. Said time-line must be submitted not more than ten days after the Effective Date of this Management Agreement. The "Pre-opening Responsibilities" shall include, but not be limited to the following:

- a. Contractor will confirm with the Port Representative which Designated Lounges will be operated.
- b. Contractor will confirm with the Port Representative the scheduled opening date of the Designated Lounge(s).
- c. After consulting with the Port, the Contractor will submit a draft Operating Budget for the Port's review.
- d. Contractor will revise the Operating Budget, if requested by the Port.
- e. Contractor will work to obtain the Port's approval of the revised Operating Budget at least 30 days prior to the scheduled opening date.
- f. Contractor will submit proposed uniforms, badges, if any, and menus to the Port Representative so as to obtain approval of these items at least 30 days prior to the scheduled opening date.
- g. Contractor will provide details to the Port Representative regarding scheduled training for personnel and start-up procedures.
- h. Contractor will coordinate with the Port Representative to ensure that all licenses and permits have been obtained at least 15 days prior to the scheduled opening date.
- i. Contractor will provide certificates of insurance and endorsements as required by this Agreement.

24. COMPENSATION TO CONTRACTOR – FEES

a. **Definitions.** For purposes of this Agreement, the following terms have the meanings set forth in this Section.

(1) **Gross Revenues.** "Gross Revenues" means all income for any period, whether in cash or on credit (computed on an accrual basis in accordance with generally accepted accounting principles) received for food, beverage or services provided to Pre-paid Lounge Users or Pay-per-use Customers. Gross Revenues do not include the following:

- (i) federal, state, and local excise, sales, use or admission taxes;
- (ii) contributions by the Port to an Expense Fund (term defined below in Section 26);
- (iii) interest, if any, on funds in the Revenue Account (term defined below in Section 25).

(2) Operating Expenses. "Operating Expenses" means the aggregate of the following Designated Lounge expenses for any period (called out in this Agreement). Unless otherwise specified below, "Operating Expenses" shall include the Designated Lounge expenses referenced below without regard to whether they are incurred by the Port or by Contractor:

- (i) cost of operations, maintenance, and repair of all operating equipment and replacement of minor items initially supplied by the Port and cost of operating supplies;
- (ii) Contractor's expense associated with the cost of compensation, benefits and payroll taxes of all employees working full or part-time at the Designated Lounges or performing duties with respect to the Designated Lounges, excluding Contractor's executive personnel and Contractor's full time manager for the Designated Lounge(s). The Port has the right to approve all time spent and billed to Lounge operations by Contractor personnel located outside the Designated Lounges;
- (iii) cost of repair and maintenance of the Designated Lounges;
- (iv) cost of liability insurance required under this Agreement and any deductibles or reasonable costs to cover any self-insured losses except if Contractor or its employees or subcontractors were grossly negligent;
- (v) cost of all business taxes (except for business and occupation taxes on any management fees paid to Contractor by the Port);

- (vi) cost of purchasing food and beverages, including alcohol, for Designated Lounges;
- (vii) cost of Parking at Airport for Contractor's personnel;
- (viii) cost of badges and keys for Contractor's personnel working at the Designated Lounges;
- (ix) cost of disposable items related to food and beverage service, such as napkins, drink stirrers;

- (x) cost of uniforms and shoes for Contractor's personnel working at the Designated Lounges;
- (xi) cost of laundry for uniforms and shoes worn by personnel and other supplies at Designated Lounges;
- (xii) cost of telephone, electricity or other utilities;
- (xiii) cost of janitorial services;
- (xiv) cost of plates, glasses, cups, cutlery or other serving equipment;
- (xv) cost of postage and stationary provided to Pre-paid Lounge Users or Pay-per-use Customers and supplied for use by Contractor's personnel to perform work related to this Management Agreement;
- (xvi) cost of maintaining and operating a van to carry equipment and supplies between the Designated Lounge(s) and other locations;
- (xvii) cost of reasonable accounting fees for services directly related to the operation of the Designated Lounges, including, but not limited to, annual audit fees;
- (xviii) cost of applying for, obtaining and maintaining a liquor license and necessary permits and agreements to buy and serve alcohol on the premises of the Designated Lounges.
- (xix) cost of purchase or lease and operation of a vehicle to be used by Contractor in providing lounge services.

(3) Direct Operating Expenses. "Direct Operating Expenses" means all Operating Expenses except as provided in Section 27 (Contractor's management fee, cost of janitorial services, cost of utilities, cost of security services, cost of repairing and maintaining systems and other elements of facilities, Port's deposits into Expense Fund, cost of applying for, obtaining and maintaining liquor license) plus the Contractor's cost of obtaining and maintaining required insurance.

(4) Net Operating Income. "Net Operating Income" (or "NOI"), which may be measured for a monthly, quarterly or yearly period, means Gross Revenues for the period minus Operating Expenses for the period.

(5) Gross Operating Profit Margin. "Gross Operating Profit Margin" (or "GOPM"), which may be measured for a monthly, quarterly or yearly period, means:

$$\text{GOPM} = \frac{\text{Gross Revenues} - \text{Direct Operating Expenses}}{\text{Gross Revenues}} \times 100$$

Gross Revenues

b. Base Management Fee. The Port will pay Contractor a Base Management Fee in the amount of \$73,150, which the Port and Contractor agree is a reasonable amount to cover the Contractor's expenses associated with the cost of compensation, benefits and payroll taxes associated with employing a full-time manager dedicated to the Designated Lounge(s)..

c. Incentive Management Fee. The Port will pay Contractor an Incentive Management Fee ("IMF") according to the following schedules:

Agreement Years 1 and 2

If GOPM is:	Share of NOI
Less than 35.0%	0.00%
Greater than or equal to 35.0% but less than 40%	2%
Greater than or equal to 40% but less than 45%	3%
Greater than or equal to 45% but less than 50%	4%
Greater than or equal to 50% but less than 55%	5%
Greater than or equal to 55% but less than 60%	6%
Greater than or equal to 60% but less than 65%	7%
Greater than or equal to 65% but less than 70%	8%
Greater than or equal to 70%	9%

Agreement Year 3

If GOPM is:	Share of NOI
Less than 40%	0.00%
Greater than or equal to 40% but less than 45%	3%
Greater than or equal to 45% but less than 50%	4%
Greater than or equal to 50% but less than 55%	5%
Greater than or equal to 55% but less than 60%	6%
Greater than or equal to 60% but less than 65%	7%
Greater than or equal to 65% but less than 70%	8%
Greater than or equal to 70% but less than 75%	9%
Greater than 75%	10%

25. REVENUE ACCOUNT

The Port shall establish an account (the "Revenue Account") for use in connection with the deposit of Gross Revenues and other receipts associated with the operation of the Designated Lounges. The Port's establishment of the Revenue Account shall be subject to the following rights and responsibilities:

a. The Revenue Account shall be maintained with a financial institution as the Port may, from time-to-time, elect.

b. Only the Port shall have authority to make withdrawals or disbursements from the Revenue Account. Only the Port shall have the right to invest amounts on deposit in the Revenue Account. Contractor shall not have any authority to make withdrawals, disbursements or investments from the Revenue Account.

c. In connection with Contractor's use of the Revenue Account, the Port shall also provide to Contractor such other materials and services as may reasonably be necessary for Contractor to make effective use of the Revenue Account, specifically including, but not limited to, credit card processing equipment and services.

d. Excepting only credit card processing fees and bank charges associated with insufficient funds or other dishonored instruments, all costs associated with the

Revenue Account and the associated materials and services provided by the Port shall be paid by the Port and shall *not* be Operating Expenses.

e. All funds associated with the operation of the Designated Lounges and received by Contractor shall be deposited promptly in the Revenue Account.

f. Contractor shall have no authority to make withdrawals, disbursements, or investments from the Revenue Account.

g. Contractor shall, unless otherwise agreed by the Port, make use of any materials and/or services provided by the Port in connection with the Revenue Account.

h. Contractor shall be responsible for providing the Port a statement, in a form reasonably specified by the Port, detailing the nature of the funds deposited into the Revenue Account.

i. To the extent not inconsistent with the terms of this Agreement, Contractor shall otherwise comply with the Port's reasonable instructions regarding the receipts of cash, deposits and other internal control and reporting procedures associated with the Revenue Account.

26. REVOLVING FUND FOR PAYMENT OF EXPENSES

The Port shall establish and fund a revolving fund (the "Expense Fund") for use in connection with the payment of Direct Operating Expenses associated with the operation of the Designated Lounges. The Port's establishment of the Expense Fund shall be subject to the following rights and responsibilities:

a. The amount of the Expense Fund for each Fiscal Year shall be equal to the sum of Twenty Thousand dollars (\$ 20,000.00) *plus* the amount of budgeted expenses set forth in the approved Annual Operating Budget for the Designated Lounges for the two highest expense months for that Fiscal Year.

b. The Expense Fund shall be maintained with a financial institution as the Port may, from time-to-time, elect.

c. To the extent that there are any unused or idle funds in the Expense Fund, the Port shall have the right (but not the obligation) to invest such amounts as it may, in its sole discretion, elect; provided that such investment does not limit Contractor's right to make use of the Expense Fund in the manner intended.

d. The Port shall, within ten (10) working days of any request by Contractor for replenishment of the Expense Fund, replenish the Expense Fund.

- e. In connection with Contractor's use of the Expense Fund, the Port shall also provide to Contractor such other materials and services as may reasonably be necessary for Contractor to make effective use of the Expense Fund, specifically including, but not limited to, checks, on-line account access, and duplicate account statements.
- f. All costs associated with the Expense Fund and the associated materials and services provided by the Port shall be paid by the Port and shall *not* be Operating Expenses.
- g. The only persons authorized to make disbursements from the Expense Fund shall (in addition to any Port employees designated by the Port) be those officers or employees of Contractor designated by Contractor and approved by the Port, all as reflected by schedule on file with the Port. All officers and employees authorized to make disbursements shall, notwithstanding any other term of the Agreement, be bonded for the full amount of the Expense Fund.
- h. Contractor shall have no responsibility or authority to invest any idle funds remaining in the Expense Fund.
- i. Contractor shall, unless otherwise agreed by the Port, make use of any materials and/or services provided by the Port in connection with the Expense Fund.
- j. Contractor shall use the Expense Fund for all purchases of items that fall under Operating Expenses to be paid by the Port (term defined in Section 20); provided, however, the Port shall have the right to directly purchase/fund the purchase of any item(s) that would otherwise be paid from the Expense Fund by providing Contractor notice of such intention.
- k. Contractor shall, not less frequently than once each calendar month, seek replenishment of the Expense Fund. Contractor shall request replenishment through use of a form reasonably approved by the Port, and all requests for replenishment shall be accompanied by such documentation as the Port reasonably requests. Contractor shall also be responsible for reconciling the Expense Fund.
- l. In the event that Contractor uses the Expense Fund to create any petty cash or change fund, Contractor shall specifically notify the Port in writing of this use and adhere to Port policy in connection with any such cash or change fund.
- m. To the extent not inconsistent with the terms of this Agreement, Contractor shall otherwise comply with the Port's reasonable instructions regarding the disbursements and other internal control and reporting procedures associated with the Expense Fund.
- n. Contractor shall promptly remit to the Port any amounts remaining in the Expense Fund on the expiration or earlier termination of this Agreement.

27. ADDITIONAL OPERATING EXPENSES – NOT COUNTED AS DIRECT OPERATING EXPENSE

The Port shall bear the following categories of Operating Expenses and said categories shall not be counted as a Direct Operating Expense:

- a. Contractor's management fee. The Port shall pay Contractor's base and any incentive management fee earned by Contractor.
- b. Cost of janitorial services. The Port shall, at the Port's sole cost and expense, provide or arrange for all necessary janitorial services within the Designated Lounges.
- c. Cost of utilities. The Port shall, at the Port's sole cost and expense, provide all utilities, including electricity and telephone.
- d. Cost of applying for, obtaining and maintaining liquor license. The Port shall, at the Port's sole cost and expense, obtain and maintain a liquor license for the Designated Lounges. Provided, however, the costs associated with obtaining and maintaining necessary permits and agreements with the State Liquor Control Board to buy and serve alcohol in the Lounge premises, shall be considered a Direct Operating Expense.
- e. Cost of security services. The Port shall, at the Port's sole cost and expense, provide or arrange for necessary security in the Designated Lounges. Contractor shall be responsible for coordinating with the Port Representative, Port of Seattle Police and the Port's Security Department.
- f. Cost of repairing and maintaining systems and other elements. The Port shall, at the Port's sole cost and expense, repair and maintain the structural components, all exterior elements, all fixtures within the Designated Lounge facilities and systems, including, but not limited to, fire suppression system and HVAC system.

28. AUDITS

- a. Contractor shall keep all books of accounts and records with respect to the operation of the Designated Lounges, accounted for in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Financial Accounting Standards Board (FASB). A representative designated by the Port shall be allowed to inspect and audit Contractor's books of accounts and records with reference to the determination of any matters relevant to this Agreement at all reasonable times. The cost of such audit shall be borne by the Port unless the results of such audit reveal a discrepancy of more than two percent (2%) reported for any twelve (12) month period. In the event of such discrepancy, the full cost of the audit shall be borne by the Contractor, and Contractor shall promptly pay all additional fees owing to the Port.

b. In the event of loss of any business and/or accounting records that impairs the Port's ability to audit the books and records relating to the operation of the Designated Lounges, Contractor shall, at its sole cost and expense, (i) promptly recreate any and all records necessary for the Port to undertake a reliable audit; and (ii) pay (without regard to the result of the audit) the increased costs (including, but not limited to, delay costs and/or interim examinations) of any audit that results from the loss of any business and/or accounting records. In the event that Contractor's books of accounts and records are not maintained in the Puget Sound region, they shall be made available for audit locally within five (5) business days of a request by the Port, or Contractor shall pay in full, any travel and related expenses of Port representative(s) to travel to the location outside the Puget Sound region. In addition, The Port shall have the right to conduct a "surprise" audit not more frequently than twice every twenty four (24) months, and, in the event that Contractor's books and records are not maintained locally, Contractor shall further pay in full, any travel and related expenses of the Port representative(s) to travel the location outside the Puget Sound region for such "surprise" audit(s).

c. In addition to audits of financial records, Contractor shall be subject to periodic, unannounced operating audits of facilities by representatives of the Port and/or by consultants retained by the Port. Such audits may include a comprehensive review of:

- (i) Service quality, attentiveness, courtesy and professionalism of personnel
- (ii) Food quality and presentation
- (iii) Hygiene and sanitary practices of personnel
- (iv) Uniforms worn by personnel
- (v) Training programs, techniques
- (vi) Safety, security and cleanliness of facilities
- (vii) Compliance with State alcohol beverage control laws and Liquor Control Board rules.

29. INDEMNIFICATION

To the maximum extent permitted by law, Contractor shall indemnify, defend (with counsel reasonably acceptable to the Port) and save harmless the Port, the commissioners, representatives, directors, officers, agents and employees of the Port, and those in privity of estate with the Port, from and against all claims, expenses (including, without limitation, attorney's fees) or liability of whatever nature arising from any default, act, omission or negligence of Contractor, or Contractor's subcontractors, licensees, agents, servants or employees, or the failure of Contractor or such persons

to comply with any rule, order, regulation or lawful direction now or hereafter in force of any public authority, in each case to the extent the same are related, directly or indirectly, to the Contractor's performance under this Management Agreement; provided, however, nothing in this Section shall require Contractor to indemnify the Port from injury or damage caused by the sole negligence of the Port. This indemnity and hold harmless agreement shall include indemnity against all costs, expenses (including, without limitation, reasonable attorneys' fees) and liabilities incurred in or in connection with any such claim, or any action or proceeding brought thereon.

30. INSURANCE

Contractor shall obtain and keep in force during the term of this Agreement the following types of insurance, in the amounts specified and in the form described below. Such expense to the Contractor shall be counted as a Direct Operating Expense:

- a. Commercial General Liability. Contractor shall obtain and keep in force during the term of this Agreement a commercial general liability policy of insurance protecting Contractor and the Port, as an additional insured using ISO Form 20 26 11 85 or equivalent, against claims for bodily injury, personal injury and property damage based upon, involving or arising out of the Contractor's performance under this Management Agreement and specifically including the action/inaction of any employee, subcontractor or agent. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than two million dollars (\$2,000,000) per occurrence. The policy shall not contain any intra-insured exclusions as between insured persons or organizations.
- b. Automobile Liability. Contractor shall obtain and keep in force during the term of this Agreement a business automobile liability insurance protecting Contractor and the Port, as an additional insured using ISO Form 20 26 11 85 or equivalent, against claims for bodily injury and property damage based upon, involving or arising out of any automobile (whether owned, hired or non-owned), and specifically including the action/inaction of any employee, subcontractor, or agent. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than two million dollars (\$2,000,000) per occurrence. The policy shall not contain any intra-insured exclusions as between insured persons or organizations.
- c. Other Insurance. Contractor shall further obtain and keep in force such other and further insurance as the Port may from time to time reasonably request for the protection by insurance of its interest in the areas of the Airport in which Contractor, its employees, subcontractors and agents will work.

d. Insurance Policies. Insurance required hereunder shall be in companies duly licensed to transact business in the State of Washington, and maintaining during the policy term a General Policyholders Rating of 'A-' or better and a financial rating of 'IX' or better, or such other rating as may be required by a lender having a lien on the Premises, as set forth in the most current issue of "Best's Insurance Guide." Contractor shall not do or permit to be done anything that shall invalidate the insurance policies referred to in this Article. Contractor shall cause to be delivered to the Port certified copies of policies of such insurance or certificates evidencing the existence and amounts of such insurance with the insured and loss payable clauses as required by this Agreement. No such policy shall be cancelable or subject to non-renewal or modification except after forty five (45) days prior written notice to the Port. Contractor shall at least forty five (45) days prior to the expiration of such policies, furnish the Port with evidence of renewals or "insurance binders" evidencing renewal thereof, or the Port may order such insurance and charge the cost thereof to Contractor, which amount shall be payable by Contractor to the Port upon demand. No insurance required herein shall contain a deductible or self-insured retention in excess of \$10,000 without the prior written consent of the Port.

e. Waiver of Subrogation. Without affecting any other rights or remedies, Contractor (for itself and on behalf of anyone claiming through or under it by way of subrogation or otherwise) hereby waives any rights it may have against the Port, its officers, agents and employees (whether in contract or in tort) on account of any loss or damage occasioned to Contractor arising out of or incident to the perils required to be insured against under this Section. Accordingly, Contractor shall cause each insurance policy required by this Section to further contain a waiver of subrogation clause. The effect of such release and waiver of the right to recover damages shall not be limited by the amount of insurance carried or required, or by any deductibles applicable thereto.

f. Miscellaneous Insurance Provisions.

The limits of insurance required by this Agreement or as carried by Contractor shall not limit the liability of Contractor nor relieve Contractor of any obligation hereunder. All insurance to be carried by Contractor shall be primary to and not contributory with any similar insurance carried by the Port whose insurance shall be considered excess insurance only.

The amounts and types of insurance specified in this Agreement shall be subject to periodic adjustment to reflect changes in insuring practices for similar properties in the same geographic area and changes in insurance products.

31. DEVIATIONS FROM ANNUAL OPERATING BUDGET

Contractor must consult with the Port promptly if total Operating Expenses for any three month period exceed the Annual Operating Budget by more than 10 percent.

32. TERMINATION OF AGREEMENT

- a. This Management Agreement may be terminated in advance of its scheduled expiration date by either party without cause upon 90 days' written notice to the other party.
- b. The Port may immediately terminate this Agreement if the Port reasonably determines that the actions or omissions of Contractor or its employees, subcontractors or agents (i) has threatened or does threaten the health or safety of Pre-paid Lounge Users, Pay-per-use-Customers, or any person working or traveling in or around the Designated Lounges; or (ii) caused loss of Port funds or damage to Port property.
- c. At any time after the second full calendar year of operation, Port may, at its option, terminate this Agreement if the NOI is lower than the Annual Operating Budget by more than 10% for two consecutive calendar quarters unless such deficit is due to circumstances beyond the control of Contractor, including, but not limited to, damage to the Designated Lounge facilities and strikes.

33. NOTICES

All notices hereunder shall be in writing and shall be delivered personally, by certified or registered mail, or by recognized overnight courier addressed as follows:

To the Port:

U. S. Postal Service Address:

Port of Seattle
Seattle-Tacoma International Airport
P. O. Box 68727
Seattle, Washington 98168

Attn: Senior Manager, Airport Operations

Overnight Delivery Address:

Port of Seattle
Main Terminal Building
17801 Pacific Hwy. South
Seattle, WA 98158

Attn: Senior Manager, Airport Operations

To Contractor:

U. S. Postal Service Address:

VIP Hospitality L.L.C.
PO Box 68757
Seatac, WA
98168

Attn: Michael Workman

Overnight Delivery Address:

VIP Hospitality L.L.C.
PO Box 68757
Seatac, WA
98168

Attn: Michael Workman

For payments only, the following mailing address should be used:

VIP Hospitality L.L.C
PO Box 68757
Seatac, WA
98168
Attn: Michael Workman

or to such other respective addresses as either party hereto may hereafter from time to time designate in writing. Notices shall be deemed delivered (i) when personally delivered; (ii) on the third day after mailing when sent by certified or registered mail and the postmark affixed by the United States Postal Service shall be conclusive evidence of the date of mailing; (iii) on the date transmitted by facsimile, if the facsimile is confirmed received; or (iv) on the first business day after deposit with a recognized overnight courier if deposited in time to permit overnight delivery by such courier as determined by its posted cutoff times for receipt of items for overnight delivery to the recipient.

Payments may be made in the manner provided for notice or may be delivered by regular mail (postage prepaid); provided, payments made by regular mail (postage prepaid) shall be deemed delivered when actually received by the Port.

34. ATTORNEYS' FEES

In the event that either party shall be required to bring any action to enforce any of the provisions of this Agreement, or shall be required to defend any action brought by the other party with respect to this Agreement, and in the further event that one party shall prevail in such action, the losing party shall, in addition to all other payments required therein, pay all of the substantially prevailing party's actual costs in connection with such action, including such sums as the court or courts may adjudge reasonable as attorneys' fees in the trial court and in any appellate courts. For purposes of calculating attorneys' fees, legal services rendered on behalf of the Port by public attorneys shall be computed at hourly rates charged by attorneys of comparable experience in private practice in Seattle, Washington.

35. DISADVANTAGED BUSINESS ENTERPRISE (DBE)

- a. It is the policy of the Port to support participation of Disadvantaged Business Enterprises (DBEs), as defined in 49 CFR, Part 23, in concession activities related to the Airport. This Management Agreement is a "management contract" within the meaning of 49 CFR Sec. 23.3(6) and is thus a concession subject to the requirements of 49 CFR, Part 23.
- b. If Contractor identified itself as a DBE in its response to the Request for Proposal or during negotiation of this Agreement, Contractor agrees to submit to the Port, upon execution of this Agreement, certification from the State of Washington that Lessee is a certified DBE.
- c. It is the policy of the Port to ensure that Disadvantaged Business Enterprises (DBEs) as defined by federal regulations at 49 CFR Part 23, and other small businesses that meet the U.S. Small Business Association size standard have an equal opportunity to receive and participate in DOT-assisted contracts. The Port encourages Contractor to make every reasonable effort to maximize the contracting opportunities for DBEs and other small businesses in the procurement of goods and services necessary for the operation of Lounge Services at the Airport.
- d. Contractor shall not be penalized in the event that Contractor fails to offer contracting opportunities to DBEs or fails to otherwise obtain their participation in the operation of Lounge Services; provided, however, Contractor shall submit such reports as may be required by the Port, for the purpose of demonstrating compliance with 49 CFR Part 23 and shall comply with the nondiscrimination and assurance requirements of 49 CFR Part 23 as set forth in Section 32 below.

36. NONDISCRIMINATION

This Agreement is subject to the requirements of the U.S. Department of Transportation's regulations, 49 CFR part 23. The Contractor agrees that it will not discriminate against any business owner because of the owner's race, color, national origin, or sex in connection with the award or performance of any concession agreement, management contract, subcontract, purchase or lease agreement or other agreement covered by 49 CFR part 23.

The Contractor agrees to include the above statements in any subsequent concession agreement or contract covered by 49 CFR part 23, that it enters and cause those businesses to similarly include the statements in further agreements.

37. CAPTIONS

The captions in this Agreement are for convenience only and do not in any way limit or amplify the provisions of this Agreement.

38. SEVERABILITY

If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and shall continue in full force and effect.

39. SURVIVAL OF INDEMNITIES

All indemnities provided in this Agreement shall survive the expiration or any earlier termination of this Agreement. In any litigation or proceeding within the scope of any indemnity provided in this Agreement, Contractor shall, at the Port's option, defend the Port at Contractor's expense by counsel satisfactory to the Port.

40. GOVERNING LAW AND VENUE

This Agreement shall be construed under the laws of Washington without regard to its conflicts of laws principles. Jurisdiction and venue for any action relating hereto shall be in King County, Washington.

41. ENTIRE AGREEMENT – AMENDMENTS

This Agreement, together with **Exhibits A, B, and C**, the Port's RFP and Contractor's response to the RFP, all of which are attached hereto and incorporated herein by this reference, constitute the entire agreement between the parties; provided, in the event of conflict between the terms and conditions set forth in this Agreement and the Contractor's response to the RFP, the terms and conditions of the Agreement shall prevail. There are no terms, obligations, covenants, or conditions other than those contained herein. No modification or amendment of this Agreement shall be valid or effective unless evidenced by an agreement in writing signed by both parties.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the day and year first above written.

VIP Hospitality L.L.C.

PORT OF SEATTLE
A Washington municipal corporation

By: [Signature]
Its: President

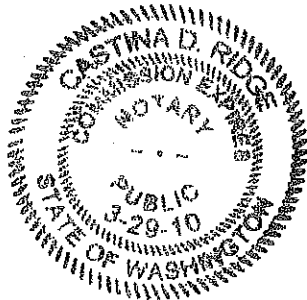
By: [Signature]
Its: CEO

STATE OF Washington)
COUNTY OF King) ss.

On this 9th day of March, 2010, before me, personally appeared Michael Woberman to me known to be the President of VIP Hospitality L.L.C., the corporation that executed the foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/she was duly authorized to execute the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal the day and year first above written.

[Signature]
Notary Public in and for the
State of Washington
Residing at: Kent
My commission expires: 3/29/10



STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this _____ day of _____, 20___, before me, personally appeared _____ to me known to be the _____ of the PORT OF SEATTLE, a municipal corporation, the corporation that executed the foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he/she was duly authorized to execute the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Notary Public in and for the
State of Washington
Residing at: _____
My commission expires: _____

EXHIBIT A

**List of Potential Designated Lounges within Seattle-Tacoma International
Airport**

<i>Name</i>	<i>Location</i>	<i>Area/footprint</i>
Club International North	South Satellite, mezzanine level	2024sf
Club International South	South Satellite, mezzanine level	2165sf
Former American Airlines Lounge	A Concourse opposite gate A8/9	4739sf
Former Delta Airlines Lounge	A Concourse, opposite gate A11	4886sf

EXHIBIT B

Safety and Health Standards

King County Food Code (R&R 91 §1(part), 5-14-93).

(State of) Washington Administrative Code, Chapter 246-215 WAC, Washington Food Service Regulations

The Port does not imply or warrant that Exhibit B constitutes a complete or current list of applicable standards, regulations and laws. It is the Contractor's sole responsibility to ensure that its officers, employees and subcontractors comply with current and applicable safety and health standards, regulations and laws.

EXHIBIT C

Goods and Services to be provided by Contractor at Designated Lounges

1. Club International North and
2. Club International South

Service to be provided: food and beverage service to international passengers

3. Former American Airlines Lounge

No planned service at this time

4. Former Delta Airlines Lounge

No planned service at this time