

**Exhibit 9**

**Operating a Concession Business  
at  
Seattle-Tacoma International Airport**



**SEATTLE-TACOMA INTERNATIONAL AIRPORT**

## INTRODUCTION

Welcome to one of the first steps in deciding if operating at Seattle-Tacoma International Airport (Sea-Tac) is right for you and your business. This information is to assist potential new tenants of Sea-Tac in understanding the unique circumstances of conducting business in an airport environment. This also provides an overview of airport operations and the specific steps a business must take to operate at Sea-Tac successfully.

An airport is a challenging environment that is not for every business. There are many positives to doing business at Sea-Tac, including a large number of potential customers each day, a sizable airport employee base, and working in a dynamic community that offers an opportunity for great success. However, the airport also is a demanding environment that poses challenges including difficult logistics, fluctuations in business and strict security requirements just to name a few.

## SEA-TAC AIRPORT DINING AND RETAIL GROUP

The Airport Dining and Retail (ADR) Group at Sea-Tac is made up of one Director, three ADR Business Managers, two ADR Program Managers, one ADR Specialist and one ADR Facilities Manager. The team has a strong day-to-day working relationship with concessionaires that can enhance a successful venture for the concessionaire as well as the airport. The hands-on philosophy of the team makes for smooth operations in most instances and quick resolution of problems when they occur. The airport environment is an extremely fluid and dynamic one where the communication and understanding of the procedures and requirements are extremely important on the part of concessionaires.

Topics covered in the following sections include food service and retail operations, sales reporting, management, maintenance, security procedures, leasing, and design and construction processes.

## COMMONLY-USED TERMS

The following is a list of commonly-used terms and acronyms for operating at an airport that will help you understand the following sections of information.

- ADR – Airport Dining and Retail
- AOA – The Airport Operations Area, which includes all areas inside Sea-Tac’s fenced perimeter designated and used for landing, taking off, or surface maneuvering of aircraft. The AOA also includes ramps, aprons, runways, and taxiways.

- Airport Community – The employees that work at Sea-Tac, totaling approximately 16,000.
- Concessionaire - The term used in the airport industry for food service, retail and service concessionaires (also “tenant”).
- Credentials Center – The airport office that conducts security badging for employees. Also referred to as the “ID Access Office.”
- Enplaned Passenger – A passenger boarding a flight at an airport from a scheduled carrier, whether domestic or international, including passengers connecting from arriving flights on the same or another airline.
- Leasehold Improvements - All improvements and equipment that are built out by a concessionaire and affixed to the leased premises and cannot be removed without damage to the premises.
- Leasehold Excise Tax - This tax is paid at a public facility in lieu of real estate taxes. Currently, the rate is 12.84% paid on the first 7% of sales each month. For more information, refer to the Washington State Leasehold Excise Tax pursuant to Chapter 81.29A of the Revised Code of Washington.
- Marketing Fund – Each concession location contributes a percentage of sales every month to the collective marketing fund that supports common marketing programs managed by the Sea-Tac ADR Group.
- Minimum Annual Guarantee (MAG) - The minimum amount of rent a concessionaire will pay each year for the operation of a concession at Sea-Tac.
- Net Book Value - The unamortized portion of the cost of the eligible fixed leasehold improvements as of the effective date of a lease termination under specific circumstances. The net book value does not apply to the natural termination of a lease.
- Port – The Port of Seattle.
- SIDA - Security Identification Display Area. Specific security badges are required to be in the SIDA area, including the bag well, common trash/recycling areas, loading dock and storage locations.
- Street Pricing – The prices that concessionaires are required to charge at Sea-Tac that must not exceed the usual and customary amount for similar products and services in non-airport locations, such as shopping malls and other high-traffic urban locations.

- TSA – The Transportation Security Administration.
- TSA 25% Rule - Each concessionaire is allowed to have 25 percent of their employees obtain SIDA badges. SIDA badges are required to access the areas for trash disposal, recycling, storage and deliveries.

## FOOD SERVICE AND RETAIL OPERATIONS

The goal of the Sea-Tac ADR Program is to provide passengers with an exceptional experience in quality, variety and affordability while at the airport. Specific service standards are required by every concessionaire to ensure a high level of quality and service at all food, retail and service operations. Some of the major categories included in these service standards at Sea-Tac are customer service, hours of operation, pricing policy, product delivery, management of sharp objects, as well as trash and recycling. More detailed standards are included in the lease.

### Customer Service

Customer service is the mainstay of any food or retail program and stands as a top priority for the Sea-Tac ADR Program. Every concessionaire is expected to provide all patrons with the highest degree of quality in their products and services and service must be provided promptly, efficiently, and on a fair, equal, and non-discriminatory basis to all patrons of Sea-Tac.

Each concession location must be supervised at all times by an active, qualified, manager or assistant manager who has authority to make day-to-day business and operational decisions. To meet the needs of all customers, employees must be well-trained for their positions and demonstrate a first-class approach to customer service. Employees are required to wear a nametag and Sea-Tac security identification badge at all times while working at the airport.

The ADR Group initiates customer service programs at Sea-Tac to promote dining and retail, while building incremental sales. Concessionaires are expected to participate in these programs.

### Hours of Operation

Sea-Tac is like a city that never closes. As a result of airport operations, concession locations must be open to the traveling public seven (7) days per week, 365 days per year, during the operating hours defined by the ADR Group based on airline operations and locations. In addition, the airport can be a very fluid environment with the event of flight delays and/or bad weather. In these instances, all concession locations in the areas of the terminal impacted by the delays or bad weather will remain open to accommodate the affected Sea-Tac passengers.

## **Business Fluctuations in the Airport Environment**

The airport environment is dynamic, and unforeseen events can potentially impact the concession operations. Concessionaires should be prepared to operate with flexibility when necessary to ensure success in the airport environment.

Concessionaires may need to adjust their operations to accommodate construction projects, security directives, overall airport efficiency, etc. For example, a portion of a concession space may be reclaimed for a security or airline use. In such instances, concessionaires will need to work with the Port on relocation or other solutions to minimize the impact. Other potential fluctuations could be caused by airline relocations, inclement weather that impacts flight schedules and operating hours, and new security directives, among others.

## **Managers Meeting**

A meeting is held once a month for all concession managers to facilitate communication and address issues that may impact the Sea-Tac ADR program. The meetings are crucial to keeping abreast of changes at Sea-Tac that not only affect concessionaires, but the airport as a whole. These meetings are also a great way to get to know fellow concessionaires and build relationships within the airport community. Various subjects are covered each month, including the items listed below. There are also special meetings held for specific issues, such as major changes in operations, major construction projects, and airline changes.

- Sales
- Marketing
- Operational Issues
- Security
- Recycling and Composting
- Training/Classes
- Construction Impacts
- Parking Impacts
- New Business

## **Pricing Policies and Enforcement**

“Street Pricing” has historically been an important element of the Sea-Tac ADR Program dating back to 2005. The City of Sea-Tac implemented a mandatory minimum employment standard ordinance in 2015, which requires each hospitality and transportation employer to increase the hourly wage rate. In accordance with the ordinance, the Port has made a commitment to improving wages and benefits for workers at Sea-Tac while providing employers a method to address the higher employee costs associated with the ordinance.

An addendum to the Street Pricing Policy was issued that allows ADR tenants to temporarily increase their prices based on certain criteria from December 1, 2015 through December 31, 2019 in accordance with the following:

12/01/2015 – 12/31/2016: up to 10.0 percent over street prices

01/01/2017 – 12/31/2017: up to 7.5 percent over street prices

01/01/2018 – 12/31/2018: up to 5.0 percent over street prices

01/01/2019 – 12/31/2019: up to 2.5 percent over street prices

01/01/2020: return to strict street pricing

Concessionaires must charge the usual and customary amount for their products or services as those prices charged in comparable non-airport locations, including locations at shopping malls and high-traffic urban shopping venues, and charge no more than the approved percentages above the street prices. Pricing for all products and services are submitted for approval and the prices must be clearly displayed in each location. Baseline street pricing increases shall not be submitted more than two times each year.

### **Product Delivery and Storage**

The logistics at Sea-Tac are particularly difficult as compared to operating at other facilities. Loading dock locations are limited and not easily or quickly accessible for vendors. Strict security inspections are required for all deliveries.

Storage space for support is limited and many times can be in a location that is not in close proximity to the respective restaurant or store. With varying degrees of restocking each day, obtaining inventory from storage locations can be labor intensive. Maintaining a sufficient supply of goods and merchandise in each concession location at all times is crucial.

All concessionaires are strongly encouraged to re-stock during non-peak times that are the least intrusive to the customers and operations.

### **Control of Knives and Sharp Objects**

Every concessionaire is required to maintain a formal log of knives and sharp objects (including box cutters, scissors, razor blades, etc.) that are used for the essential functions of the restaurant and/or store. In addition to the formal inventory log, there must be a register where an employee checks each item in and out on a daily basis. This process is monitored by security and audits are conducted on a regular basis.

If the concessionaire is found to be non-compliant, there can be citations or the removal of security badging.

## **Trash and Recycling**

Concessionaires are provided with a variety of collection points for trash, recycling and compostable materials. Bins or compactors are provided, and the concessionaire is required to transport the materials to the respective collection sites in a cart that is approved by the Port. Each concessionaire is charged a per toss fee for trash. There is no cost for disposing of recycling, composting or used cooking oil.

The current system includes a tank located on the ramp level next to the trash and recycling areas where concessionaires pump their used cooking oil. Concessionaires are required to purchase and maintain the transport caddy used for the disposal.

All areas for trash, recycle and compost materials are located in areas of the airport that require a specific level of security clearance that falls into the TSA 25% rule as noted in the list of commonly-used terms.

Sea-Tac has a dedicated environmental team that is committed to the training and education of concessionaires in the proper and best ways for recycling, composting, bulk grease removal, and general trash removal. They take an active role in working with concessionaires to help them meet the requirements for trash and recycling and reducing their costs for trash disposal.

Trash removal and recycling for the food court areas are handled through the airport's primary janitorial contract. Concessionaires that operate in the food courts pay a fee that covers this service along with the bussing of tables. The fee and frequency is established in each lease agreement.

## **Sustainable Practices**

Sea-Tac is committed to creating a sustainable airport and minimizing the environmental impact from its operations. Concessionaires that are not using washable dishware are encouraged to explore compostable and/or recyclable plates, cups, and service ware that will accommodate their food service. This provision may result in additional costs for tenants that do not already use compostable materials. Please note that with the emphasis on sustainable practices, compostable/recyclable service ware may be a requirement in the future.

Concessionaires are also encouraged to implement LEED™ and other "green" best practices in the design, construction, and operation of concessions at Sea-Tac. Examples of these practices include energy-efficient lights and appliances, use of reclaimed materials in construction, and implementation of practices that encourage waste reduction and minimize energy consumption.

## **Maintenance**

Concession units at the airport take a lot of abuse compared to other types of food service and retail locations. Between luggage, strollers and other carry-on items, the wear and tear to

walls, surfaces, furniture, displays, cabinets, etc. is extensive. Combined with the high volume of business in a relatively small space, the equipment can become worn in a short period of time. In addition, by operating in an airport with a large number of people in a more confined space, the fire code and evacuation requirements are stringent.

As part of the maintenance requirements, the ADR Group has implemented the Preventive Maintenance Program (PMP). The PMP program is governed by the Tenant Operational Manual: "The Procedures on Maintenance Services and Required Inspections for Tenants at Seattle-Tacoma International Airport." This document describes the roles and responsibilities of the Port and the tenants in maintaining the main infrastructure systems.

The ADR Group has a Facilities Manager who oversees the maintenance of the concession units. There are specific cleaning requirements for hood systems, cooking equipment, etc. that are monitored closely by the Facilities Manager and outlined in the lease agreement. Inspections are done to ensure that all scheduled maintenance is being performed. Reports are submitted by the concessionaires' vendors and tracked closely for compliance.

## **Utilities**

Concessionaires are required to pay for all utilities used based on the charges outlined in the Tariff Rates for Sea-Tac Airport. Charges included cover electricity, water, sewer, natural gas, cable television, and used cooking oil disposal.

## **Employee Parking**

Each company that has a lease agreement at Sea-Tac is provided with a complimentary parking pass (depending on the number of units operated) for access to the parking garage. This card is designated for use only by the employee that is the on-site manager.

There is also a parking lot located just north of the terminal that is for employee parking (North Employee Parking Lot, NEPL). It is a secure, gated lot and buses run every 10 minutes to and from the terminal. The current charge for the NEPL is \$76.00 per employee, per month. Please note that parking prices are subject to change.

For more information on Employee Services at Sea-Tac, see <http://www.portseattle.org/employee-services>.

## **SECURITY**

Security is the most important responsibility for all employees of Sea-Tac. Airport Security and the TSA have established very specific guidelines, requirements, and operating procedures to ensure that a high level of security is maintained at Sea-Tac at all times.

Current security requirements at Sea-Tac are noted in this section. However, requirements are subject to change and can change quickly depending on conditions that are many times not directly associated with Sea-Tac (i.e., a new TSA national security directive). The key is to be aware of your surroundings and maintain good communications with your neighbors and other workers in the airport. The airport community is a large, well-defined group from many different companies and can be a strong force in keeping the airport safe.

## Employee Badging Requirements and Process

There are a variety of security badges available at Sea-Tac that provides different types of airport access for employees. However, every employee is required to have a badge when working at the airport. The general purposes of the badges are shown below. Please note that this list is not all-inclusive and can change.

**ORANGE BADGE:** The orange badge is for employees that will be working in the concession unit only. They have no access to trash, recycling, composting, storage or delivery areas.

**RED BADGE:** The red badge is for employees that will be working in the concession unit as well as accessing the SIDA areas for trash, recycling, composting, storage and deliveries.

**BLUE BADGE:** The blue badge is for employees that will drive a vehicle on the AOA, as well as have access to the SIDA areas for trash, recycling, composting, storage and deliveries.

A schedule of fees for completion of the security assessment and obtaining badges may be found at <http://www.portseattle.org/employee-services/Pages/default.aspx>. Concessionaires are billed for all costs associated with security badges.

In order to obtain an airport security badge, each person applying for a badge must bring both proof of citizenship and an additional form of photo identification to the airport's Security ID Access Office/Credentials Center. Each person applying for a badge must complete the following forms and applications. All forms can be found on the Port website listed above.

- Individual Application ([http://www.portseattle.org/Employee-Services/ID-Badges/Documents/NEW\\_RENEWAL\\_BADGEID\\_APP%20MAY\\_2012.pdf](http://www.portseattle.org/Employee-Services/ID-Badges/Documents/NEW_RENEWAL_BADGEID_APP%20MAY_2012.pdf))
- Fingerprint Application and Disqualifying Crimes Sheet [http://www.portseattle.org/Employee-Services/ID-Badges/Documents/FINGERPRINT\\_APPLICATION\\_FEB2012.pdf](http://www.portseattle.org/Employee-Services/ID-Badges/Documents/FINGERPRINT_APPLICATION_FEB2012.pdf)
- Signed Privacy Act Notice <http://www.portseattle.org/Employee-Services/ID-Badges/Documents/idaccess-privacypolicy.pdf>

There are a number of other requirements to set up a company in the badging system that will be reviewed at an appropriate time if and when a lease agreement is secured.

Sea-Tac's ID Access Office/Credentials Center and training room are located on the Mezzanine Level of the Main Terminal. More information about badges and training can be found at:

<http://www.portseattle.org/Employee-Services/Security-and-Driver-Training/Pages/default.aspx>

## **Penalties for Non-Compliance**

The airport's Security Department has created a handbook regarding security violations at Sea-Tac that provides detailed information regarding what constitutes a violation along with the penalties that may be assessed. This handbook may be found at <http://www.portseattle.org/Employee-Services/ID-Badges/Documents/idsecurityhandbook.pdf>

## **TSA Directives**

The TSA is the section of the U.S. government that is responsible for securing the nation's airports and screening all commercial airline passengers and baggage. As such, the TSA periodically issues directives that may impact concession operations at Sea-Tac. For example, TSA maintains a list of prohibited items that are not allowed in the post-security areas of an airport. A full list of currently-prohibited items can be found by visiting <http://www.tsa.gov/traveler-information/prohibited-items>. This list is updated periodically. Changes to the list of prohibited items may impact the types of products that can be sold or the way concessionaires operate at Sea-Tac. Concessionaires will need to demonstrate flexibility in such instances, as all tenants at Sea-Tac are required to comply with TSA rules, regulations, and directives and have procedures in place to ensure compliance by all employees.

## **LEASE AGREEMENT**

The lease agreement dictates all of the operating requirements for a concessionaire at Sea-Tac. Some of the general terms are noted below.

### **Rent**

The rent payment structure at airports is typically different from the structure at non-airport venues. Airports generally do not charge rent on a "per square foot" basis for a retail or restaurant space.

The rental terms at Sea-Tac typically include two components: a minimum annual guaranteed rent and a percentage fee. The concessionaire will pay the greater of these each month. The minimum annual guarantee for the first full calendar year of operations will be set by the Port. During the second and all following years, the minimum annual guarantee will be set at eighty-five (85%) of the actual rent paid the prior year.

For example, if the total rent paid the year before was \$150,000, then the minimum annual guarantee for the next year would be \$127,500. This amount would be paid in equal monthly installments by the first of each month. Any percentage fee above the minimum annual guarantee would be reported and paid by the 15<sup>th</sup> of each month for the preceding month.

- **Minimum Annual Guarantee (MAG)** - A MAG is the lowest amount of rent that a concessionaire will pay during a calendar year at Sea-Tac, regardless of fluctuations in sales levels.
- **Percentage Fee** - A percentage fee amount calculated as a percentage of gross sales (exclusive of taxes and a few other allowances that are also specified in the lease). The percentage fee can be a single rate applied to all levels of sales, or it may be tiered to increase as gross sales increase. Alternatively, the percentage fee may vary according to the type of products or merchandise sold (i.e., food and non-alcoholic beverages vs. alcoholic beverages).

The monthly rent does not include any support space (storage space, offices) other than what is included within the concession location. If space is available for support, it will be leased on a “dollar per square foot” basis under a separate agreement. The current rates for storage and office space are shown below. Please note that Leasehold Excise Tax is also payable on the storage and office rental amounts. In this case, the tax is paid on the dollar per square foot charge because there are no sales associated with the support space. The current rates are subject to change.

<b>Storage Space</b>	<b>Current Cost per Square Foot</b>
Up to 400 Square Feet	\$15.00
Over 400 Square Feet	\$60.00

<b>Office Space</b>	<b>Current Cost per Square Foot</b>
<ul style="list-style-type: none"> <li>– Up to 150 square feet for tenants that operate between one and three units</li> <li>– Up to 500 square feet for tenants that operate between four and eight units</li> <li>– Up to 1,250 square feet for tenants that operate nine or more units</li> </ul>	\$30.00
Any office space over the thresholds above	\$120.00

### **Leasehold Excise Tax**

Concessionaires at Sea-Tac are responsible for paying all taxes, including the Washington State Leasehold Excise Tax (Chapter 81.29A of the Revised Code of Washington). The Washington State Leasehold Tax (LET) rate is currently 12.84 percent of taxable rent. For the purposes of the LET, the first seven percent of gross sales is considered the contract rent on which the Leasehold Excise Tax would be computed. LET payments are made at the same time as the

reporting and payment of the percentage fee on the 15<sup>th</sup> of each month. The Port passes the taxes through to the State.

Example:	Monthly sales	\$100,000.00
	First 7% of sales	\$7,000.00
	12.84% (LET)	\$898.80

## **Marketing Fund**

The ADR Group has an active marketing program that is considered one of the best among North American airports. The various events funded by the marketing fund range from promotional events to advertising to a mystery shopper program. Each concession location contributes a percentage of sales each month to the collective marketing fund that supports common marketing activities administered by the ADR Group. The current rate is one half of one percent of monthly gross sales up to a maximum of \$30,000 per concession facility per calendar year. The payment of the marketing fund fees are made at the same time as the reporting and payment of the percentage fee on the 15<sup>th</sup> of each month.

## **Insurance Requirements**

All concessionaires at Sea-Tac are required to carry specified levels of insurance as stated in their leases. These amounts may vary by type of concession, but typically include the following types of insurance:

- Commercial General Liability (\$2,000,000.00)
- Business Automobile Liability (if vehicles owned by the tenant are operated on the AOA) (\$5,000,000.00)
- Property (including flood and earthquake coverage, amount covered in lease agreement)
- Business Income and Extra Expense (amount covered in lease agreement)
- Liquor Liability (if tenant sells alcoholic beverages in any quantity or form (\$2,000,000.00)
- Workers Compensation
- Any other insurance required due to the form or function of the business

## **Letter of Credit or Other Security**

Every concessionaire is required to provide a letter of credit or other approved security when the lease agreement is executed. The amount of the security is dependent on several factors and an amount is agreed upon and approved in the lease agreement.

## Reporting

Concessionaires are required to submit specific reports monthly and annually as outlined in the lease agreement. While the reports required are subject to change from time to time, the primary reports that are currently required are listed below.

- Daily Sales - Tenants are required to report sales daily through a proprietary program developed by the Port. These sales are usually reported by the on-site management team and are not audited sales. This reporting provides real-time sales information that is vital to tracking trends and following events, such as airline moves, TSA directives and weather issues.
- Monthly Sales - Within 15 days of the close of each month, concessionaires are required to submit a detailed statement of gross sales for the prior month. For concessionaires operating multiple locations, the reports must provide a breakdown of gross sales by concession location and subtenant (when applicable) and must show further detail (i.e., product category) as required in the lease.
- Annual Sales - By March 31 of each year, the concessionaire must provide an annual report of gross sales as further detailed in the lease agreement.
- Net Book Value Report – At the request of the Port at any time during the term of the agreement, concessionaire must submit a statement of the net book value of the eligible leasehold improvements calculated per the depreciation rules outlined in the lease agreement. If the concessionaire has more than one location, a report is submitted for each location.

## Net Book Value/Depreciation

All concession locations leased to tenants are provided in “as-is” condition and require complete build-out, and sometimes demolition, by the concessionaire. The fixed capital improvements made to the concession locations must be depreciated over the term of the lease on a straight-line basis, and must have a value of zero at the end of the initial lease term.

A lease may be terminated early in the event that a concession space is required for a security or airline purpose or another airport operational requirement. In such a circumstance, there may be reason for the Port to reimburse the concessionaire for any remaining, unamortized value of the leasehold improvements made to the concession location(s) at the time of the take back or termination. In such cases, the buyout of the leasehold Improvements is determined to be the unamortized portion of the cost of the eligible leasehold improvements as of the effective date of the take back or termination. More detailed information regarding depreciation and buyout is provided in the lease.

## DESIGN AND CONSTRUCTION

Design and construction costs at an airport are expensive and can run two to three times the cost of a street or mall location. In addition, the time period from when the lease is signed until the concession unit opens can be eight to nine months or more. Concessionaires must be prepared from a capital investment standpoint that includes the design and construction time. Constructing in an airport environment poses many challenges due to security, base building requirements and logistics, among others.

### Design Submittal

The design process has a number of levels for submittals and most projects are managed through the Project Management Department or the ADR Facility Manager. The Port has specific standards that many times can be beyond what is required in local or national codes. All concessionaires must adhere to these standards, including the Airport Dining and Retail Design Guidelines, when building out a location. The website below gives an overview of the process and requirements. During the design process, the respective Project Manager will assist the concessionaire and their architect in following the correct procedures. Please visit <http://www.portseattle.org/Business/Construction-Projects/Airport-Tenants/Pages/default.aspx> for additional information.

### Permitting Requirements

Sea-Tac has its own Building Department for airport projects. Concessionaires are required to obtain all necessary permits for facility build-out and fit-out. Additional information can be found at the website noted under Design Submittal Requirements.

### Capital Investment

The amount of the initial capital investment to be expended by the concessionaire for build-out can be substantially more than a street or mall location. There are no tenant allowances or reimbursements for concession units. Minimum investment costs are included as part of the lease agreement. All concession facilities at Sea-Tac must be designed and finished in a manner that complies with applicable building codes and airport guidelines.

### Construction Process Requirements

The Port provides step-by-step instructions on all aspects of the construction process at Sea-Tac, including pre-design development activities, design development phase activities, construction phase activities, and project close-out details and requirements. The website noted under Design Submittal includes the basics for starting the process. In addition, the Project Manager for each concession build-out will assist during the entire process.

## **Timelines**

The Construction Process requirements outline the full design and construction processes and timeframes that must be adhered to from initial design submittal through construction completion. Due to the unique nature of the airport environment, just the facility build-out can take three to four months, on average. Concessionaires should recognize that their locations will not generate sales until construction is completed and the facility is open for business. Tenants should ensure that they have enough working capital to cover this pre-opening phase.