

MEDIATION TERM SHEET

This Mediation Term Sheet (“Term Sheet”) is executed by and between the Antonio B. Won Pat International Airport Authority, Guam (“GIAA”) and Lotte Duty Free Guam, LLC (“Lotte”) (together the “Parties”) as a result of a mediation of issues and disputes between the Parties concerning the Concession Agreement (defined below). Capitalized terms not defined herein shall have the meaning set forth in the Concession Agreement.

WHEREAS, on May 18, 2013, GIAA and Lotte entered into the Specialty Retail Concession Agreement (“Concession Agreement”), which has been the subject of litigation with DFS Guam L.P. (“DFS”);

WHEREAS, the Terminal Building Structural Upgrade and Concourse Isolation Project (the “Third Floor Project”), which project is anticipated to continue for at least another eighteen (18) to twenty-four (24) months, has commenced at the Airport and current plans indicate substantial impacts to Lotte’s operations and revenues, including potential closures of boutiques and retail space;

WHEREAS, on February 2, 2018, the Superior Court of Guam in *DFS Guam L.P. v. the Antonio B. Won Pat International Airport Authority, Guam*, Civil Case No. CV0943-14 (consolidated with CV0094-15 and CV0198-15, collectively “Protest Litigation”) issued the following: Decision and Order on DFS Motion for Summary Judgment on Protest No. 3 (“DFS MSJ Order”), Decision and Order on GIAA’s Motion for Summary Judgment No. 1 (“GIAA MSJ No. 1 Order”), Decision and Order on GIAA’s Motion for Summary Judgment No. 2 (“GIAA MSJ No. 2 Order”), and Decision and Order on GIAA’s Motion for Summary Judgment No. 3 (“GIAA MSJ No. 3 Order”; collectively, “February 2 Orders”);

WHEREAS, the Court in its DFS MSJ Order granted DFS’s Motion for Summary Judgment and voided and set aside the Concession Agreement between GIAA and Lotte but found that it was in the public interest for Lotte to remain as the duty free concession operator until GIAA procured a new duty free concession operator and further ordered GIAA to abide by the terms of the Concession Agreement until GIAA procures a new operator;

WHEREAS, after the Court issued its February 2 Orders, on February 5, 2018, it issued a Judgment ordering, *inter alia*, that the RFP No. GIAA 010-FY12 and the Concession Agreement be voided and set aside (“February 5 Judgment”);

WHEREAS, immediately following the issuance of the February 2 Orders but prior to the issuance of the February 5 Judgment, on February 5, 2018 GIAA filed a notice of appeal of the February 2 Orders and filed a motion requesting a stay of those orders (“GIAA’s motion to stay”);

WHEREAS, following the issuance of the February 5 Judgment, on February 6, 2018, GIAA filed a notice of appeal of the February 5 Judgment and on February 8, 2018 filed a supplement to its motion to stay requesting that the Court stay enforcement of the February 5 Judgment;

WHEREAS, on February 16, 2018, DFS filed a motion to alter or amend the Court's February 2 Orders and February 5 Judgment ("DFS's motion to amend"), which GIAA has opposed;

WHEREAS, on March 21, 2018, GIAA filed a request for a decision on its motion to stay, which the Court denied on March 27 and set oral argument on GIAA's motion to stay and DFS's motion to amend for April 12, 2018;

WHEREAS, on April 12, 2018, the Court cancelled the hearing on GIAA's motion to stay and DFS's motion to amend scheduled for that day and rescheduled it for May 4, 2018;

WHEREAS, the Concession Agreement is a major cornerstone and component of GIAA's financial plan, budget and commitments, including its \$247 million bond, its signatory airline agreements, the \$110 million Third Floor Project and other capital improvement projects;

WHEREAS, the Court's actions including its February 2 Orders, February 5 Judgment and failure to promptly decide and grant GIAA's motion to stay as well as the uncertainty of the Supreme Court of Guam granting a motion to stay by GIAA if denied by the Court has put GIAA at substantial financial risk and in a very precarious and uncertain position;

WHEREAS, at present the Concession Agreement has been voided, GIAA's motion to stay has not been granted, DFS continues to oppose the stay, and it is Lotte's position that it does not have further obligations under the Concession Agreement;

WHEREAS, despite the February 2 Orders, the February Judgment and the disruption from the Third Floor Project and its potential impacts on Lotte's operations, Lotte remains firm in its commitment to the Airport and people of Guam;

WHEREAS, one of the cornerstones of this Term Sheet is that it further confirms that both Parties shall abide by the terms of the Concession Agreement, with inclusion of the terms set forth herein, during the pendency of the Third Floor Project;

WHEREAS, consistent with Section 5427 of the Procurement Law, Section 16.37 of the Concession Agreement requires the Parties to attempt resolution of issues and disputes which arise under, or by virtue of, the Concession Agreement through mutual agreement in accordance with the provisions of 16.37;

WHEREAS, Section 16.7 of the Concession Agreement recognizes that each party must abide by all conditions and covenants thereof unless waived in writing by the parties; and

WHEREAS, this Term Sheet was mediated through mediator Frederick Horecky, Esq.

Now, therefore, in consideration of the above recitals, and in resolution of the issues and disputes between the Parties concerning impacts of the Third Floor Project, the February 2 Orders and

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February 5 Judgment and the status of the Concession Agreement, the Parties hereby agree as follows:

1. **Confirmation of Agreement.** The Parties confirm that they shall abide by the terms of the Concession Agreement, with inclusion of the terms set forth herein, during the pendency of the Third Floor Project which is projected to take from eighteen (18) to twenty-four (24) months to finally complete.

2. **Rent.** GIAA agrees to waive One Hundred Seventy-Five Thousand Dollars (\$175,000) per month of Lotte's Rent obligation commencing on May 1, 2018 for a period of twenty-four (24) months or as may be extended by the Parties if necessary pursuant to good faith discussions. In the event GIAA is unsuccessful in its appeal in the Protest Litigation and Lotte is required to vacate the Premises prior to expiration of the ten-year term of the Concession Agreement, then this rent waiver shall continue until Lotte vacates the Premises.

3. **Percentage Rent.** GIAA agrees to waive the payment of Percentage Rent, if any, for the period of April 2018 through September 2018.

4. **Warehouse Space.** To help mitigate the impacts of the Third Floor Project on Lotte, GIAA shall lease to Lotte Four Thousand (4,000) square feet of vacant warehouse space in the Main Terminal Building as more particularly described in Attachment A. GIAA agrees to waive the payment of rent for such space for a period of eighteen (18) months, commencing on May 1, 2018. Thereafter, Lotte shall pay the Main Terminal Building rental rate then in effect, as set forth in GIAA's tariff schedule. Lotte shall accept the space as-is and any and all improvements to the space shall be at Lotte's sole cost and expense, subject to GIAA's prior approval of such improvements. Lotte shall execute GIAA's standard space lease agreement, attached as Attachment B, and shall be subject to all terms as stated therein.

5. **Signatory Airlines.** GIAA will in good faith negotiate with the Signatory Airlines regarding the terms herein, and use its best efforts to procure the Signatory Airlines' agreement, however, in the event that any Signatory Airline protests the impact of the terms of this Term Sheet on airline rates and charges, GIAA and Lotte shall renegotiate the terms hereof. GIAA agrees to keep Lotte informed as to the status of its negotiations with the Signatory Airlines, and agrees that after October 1, 2018, the issue of Signatory Airline concurrence shall not be a reason to renegotiate any terms set forth herein. To the extent the Signatory Airlines do not agree and file a complaint, the Parties shall return to mediation to renegotiate in good faith within sixty (60) days of the filing of any Complaint by any Signatory Airline. To the extent the Parties cannot agree to new terms within the sixty (60) day period as aforementioned, then this Term Sheet shall be cancelled.

6. **Construction Adjustments.** The Parties agree and understand that there may be additional direct impacts to Lotte and its operations as a result of the Third Floor Project. The Parties agree that additional impacts due to construction that adversely affect Lotte's operations and revenues and that arise after the Effective Date of this Term Sheet will be further compensated as appropriate and reasonable after further discussion and negotiation in good faith.

7. **Mid-Term Refurbishment.** The Parties agree to apply properly certified refurbishments to the Premises completed by Lotte after its initial capital improvement towards Lotte's Mid-Term Refurbishment obligation contained at Section 8.25 of the Concession Agreement. Lotte shall provide the necessary certification and documentation of the additional improvements it has made to date, and also provide further documentation of the improvements it intends to complete in the future, all of which will be credited toward the Mid-Term Refurbishment if properly certified and documented to GIAA's reasonable satisfaction.

8. **Limited Waiver; Notice to Quit.** Notwithstanding the February 2 Orders and February 5 Judgment, Lotte agrees to waive any claim against GIAA (1) related to the Concession Agreement for restitution or reimbursement of funds expended by Lotte through the Effective Date: (i) for Rent paid, (ii) for improvements made to the Premises (whether Trade Fixtures or Fixed Improvements), provided, however, that if Lotte is required to vacate the Premises prior to expiration of the ten (10) year term of the Concession Agreement because GIAA is unsuccessful in its appeal in the Protest Litigation, or for any other reason due to a Court action, then Lotte shall be entitled to seek restitution or reimbursement for the unamortized Net Book value of such Fixed Improvements that GIAA elects to become property of the Airport under Section 8.8 of the Concession Agreement that are Qualified Investments in accordance with the Concession Agreement, and (iii) pursuant to the indemnification provisions; and (2) related to any GIAA act or omission referenced or forming the basis of the February 2 Orders and February 5 Judgment. Lotte further agrees it shall not quit the Premises except upon 120 days' written notice to GIAA.

9. **Subject to Approval.** This Term Sheet is subject to and contingent upon approval by the Board of Directors of GIAA and Lotte's authorized principals no later than April 30, 2018.

10. **Further Court Action.** The validity and binding effect of this Term Sheet will not be changed by further Court action unless a Court directly invalidates this Term Sheet.

11. **Governing Law.** The validity of this Term Sheet and of any of its terms or provisions, as well as the rights and duties of the parties hereunder, shall be interpreted and construed pursuant to and in accordance with the laws of Guam.

12. **Expenses.** Each party will bear its own legal costs and expenses related to this Term Sheet.

13. **Amendment.** This Term Sheet may not be amended or modified except by a written instrument signed by the Parties.

14. **Counterparts.** This Term Sheet may be executed by tele-facsimile ("fax") or email in pdf format ("pdf"), and in any number of counterparts, and each fax, pdf or counterpart shall be deemed to be an original, but all such faxes, pdfs or counterparts together shall constitute one and the same instrument.

15. **Effective Date.** This Term Sheet shall be effective as of the date it is approved by the GIAA Board of Directors and Lotte's principals.

IN WITNESS WHEREOF, the Parties have executed this Term Sheet on the dates indicated below.

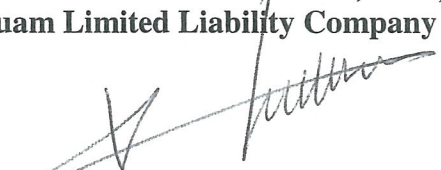
**ANTONIO B. WON PAT
INTERNATIONAL AIRPORT
AUTHORITY, GUAM**

By: 

Charles H. Ada II
Executive Manager

Date: 04/23/18

**LOTTE DUTY FREE GUAM, LLC,
a Guam Limited Liability Company**

By: 

Hee Young, Park,
Its General Manager, and duly authorized
representative

Date: April 23, 2018

APPROVED:

**ANTONIO B. WON PAT
INTERNATIONAL AIRPORT
AUTHORITY, GUAM BOARD OF
DIRECTORS**

By: 

Ricardo C. Duenas
Its Chairman

Date: April 26, 2018