

MEMO

TO: Finance Board
FROM: Gene Richards, Burlington International Airport
DATE: April 15, 2013
SUBJECT: Finance Board Approval Request – Transfer of Dollar Car Rental brand to Advantage

The Burlington Airport seeks Finance Board and City Council approval for the following item related to a Lease associated with Airport property authorization to execute supplemental lease agreement related to transfer of Dollar Car Rental brand to Advantage.

The Airport has a lease with Dollar Car Rental for the operation of a car rental concession as well as office and counter space in the terminal building at the Airport. In late 2012, Hertz Corporation announced the takeover of the Dollar/Thrifty brand. With that announcement, Hertz contacted the Airport about the need to divest the Advantage brand to certain Dollar/Thrifty on-airport concessions, and BTV was chosen as one of those Airports.

Hertz has asked the City to substitute Simply Wheelz, LLC, the operator of the Advantage brand, for DTG Operations, Inc., as the City's counter party to the July 1, 2012 agreement. By the terms of the agreement with Dollar, the City's written consent to the assignment, which cannot be unreasonably withheld, is required.

The Attorney representing the Airport who assisted with the review of the request initially expressed concern with the City being forced to contract with a limited liability company. The concern with the City being forced to contract with a limited liability company, which was resolved by Article VI.D. of the agreement which requires the Contractor to post a performance bond or letter of credit for 50% of the Contractor's average Minimum Annual Guarantee. The Attorney stated that as long as a performance bond or letter of credit is in place, the City should be adequately protected financially.

Please see the attached letter from the Hertz Corporation dated January 17, 2013.

Thank you.

A draft resolution is included with this Request.

Simon Ellis
Staff Vice President, Real Estate & Concessions

The Hertz Corporation
225 Brae Boulevard
Park Ridge, NJ 07656



January 17, 2013

Gene Richards
Director of Aviation
Burlington International Airport
1200 Airport Drive, Box 1
South Burlington, Vermont 05403

Re: Concession Agreement for Car Rental Concession, Burlington International Airport
by and between the City of Burlington (the "City") and DTG Operations, Inc. d/b/a
Dollar Rent A Car ("Dollar"), dated July 1, 2012 (the "Concession Agreement")

Standard Temporary Ground Lease by and between the City and Dollar, dated June
29, 2012 (together with the Concession Agreement, the "Airport Agreements")

Dear Mr. Richards:

This letter will confirm prior discussion and correspondence and set out the approval we are seeking from the City.

As publicly reported, Hertz Global Holdings, Inc. ("Hertz") recently acquired Dollar Thrifty Automotive Group, Inc. (together with its subsidiaries, "Dollar Thrifty"). The United States Federal Trade Commission (the "FTC") conditioned its approval of Hertz's acquisition of Dollar Thrifty on Hertz's agreement to (i) divest the Hertz subsidiary which operates the Advantage® brand, Simply Wheelz LLC ("Advantage"), to an entity capable of successfully expanding the operation of that brand, and (ii) divest to Advantage certain Dollar Thrifty on-airport car rental concessions identified by the FTC, including Burlington International Airport (the "Airport").

In furtherance of Hertz's agreement with the FTC, on December 12, 2012, Hertz sold Advantage to Adreca Holdings Corp. ("Buyer"). Buyer is currently a subsidiary within the Macquarie Group ("Macquarie") and is managed by Franchise Services of North America Inc. ("FSNA"), but it is expected that, once certain regulatory approvals are received, Macquarie will exchange its interest in Buyer for a 49.76% voting and economic interest in FSNA, with Buyer becoming a wholly-owned subsidiary of FSNA, a publicly-listed company. A copy of FSNA's press release with respect to the Advantage transaction is enclosed.

As noted above, to fulfill the further requirements of Hertz's agreement with the FTC, Hertz needs to assure the FTC that, on or prior to May 19, 2013 (the "Effective Date"), Advantage will be able to operate a car rental business at the Airport from the on-Airport concession currently operated by Dollar, in a manner consistent with Dollar's current operations at the Airport. Toward that end, this letter seeks your approval of the assignment of the Airport Agreements to Advantage and Advantage's assumption of all of Dollar's

obligations under those agreements (the "Assignment"). The Assignment would be effected pursuant to the attached form of Assignment and Assumption Agreement that would close on or about the Effective Date.

As highlighted by the FSNA press release, Advantage's nationwide footprint, combined with the financial and operational backing of Buyer by Macquarie and FSNA, should make Advantage an even stronger competitive force in the US car rental market, fully capable of performing its obligations under the Airport Agreements:

- Advantage currently operates car rental facilities at over 55 locations throughout the United States, including approximately 35 on-airport locations. Those operations accounted for over \$180 million in operating revenues during the first nine months of 2012. Advantage expects that number of on-airport locations to grow by 26 on or before the Effective Date. Advantage will have access to a fleet of approximately 24,000 rental vehicles to support its operations;
- Buyer has received a \$15 million equity investment from another member of the Macquarie Group, a global provider of banking, financial, advisory, investment and funds management services, with \$353 billion of assets under management as of September 30, 2012; and
- FSNA, which will initially operate and ultimately own Buyer, is exchange-listed, is one of the largest franchisors of car rentals in North America and operates two car rental associations. FSNA also owns and operates two insurance agencies, providing vehicle liability and other products to its own network of operators and third-party customers, as well. As more fully described in FSNA's enclosed press release, FSNA's franchising subsidiary has franchise locations throughout the United States, serving 28 airports in 11 states, with affiliated operations in Canada, Mexico, Greece, the Middle East, Latin America and the Caribbean.

We believe that approval of the Assignment is in the City's and the traveling public's interest for multiple other reasons, including:

- Approval of the Assignment and the on-Airport operation of the Advantage brand at the Airport would be consistent with the requirements imposed by the FTC as a condition to Hertz's acquisition of Dollar Thrifty;
- The Assignment will not change the number of on-Airport concessions;
- The next time the City puts the rental car concession agreements out for bid, any bid by Dollar will be submitted independently from any Advantage bid;
- The Assignment will not change the nature or scope of the obligations owed to the City under the Airport Agreements. Instead, it would simply permit the substitution of Advantage as the obligor and permit it to operate under the Advantage (rather than the Dollar) brand; and
- The potential for an assignment is contemplated under the Airport Agreements, subject to the City's approval. In approving the Assignment, the City will be reasonably exercising its discretion to take account of a corporate disposition during the term of the Airport Agreements and the resulting mandates of regulatory authorities.

On the basis of the foregoing, we respectfully request that the City approve the Assignment, effective upon the Effective Date, by countersigning this letter below and returning it to the attention of Simon Ellis by fax at (201) 307-2689 or by email at sellis@hertz.com or by mail using the enclosed prepaid envelope.

We appreciate greatly your attention and that of the City to this matter, which is highly time sensitive. We will call you to confirm you have everything you require to approve this request. If you have any questions

with respect to this request, please do not hesitate to contact either of the undersigned. We look forward to working with you.

DOLLAR THRIFTY AUTOMOTIVE
GROUP, INC.

Michael E. Holdgrafer
Senior Corporate Counsel & Executive
Director – Properties and Concessions
(918) 669-3048

HERTZ GLOBAL HOLDINGS, INC.



Simon Ellis
Staff Vice President
Real Estate & Concessions
(201) 307-2771

Acknowledged and approved as of
the date first above written:

CITY OF BURLINGTON

By: _____
Name: _____
Title: _____

Attachments: FSNA Press Release
Assignment and Assumption Agreement

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**AUTHORIZATION TO TRANSFER DOLLAR
CAR RENTAL BRAND TO ADVANTAGE CAR
RENTAL AT THE BURLINGTON INTERNATIONAL
AIRPORT**

In the year Two Thousand Thirteen.....

Resolved by the City Council of the City of Burlington, as follows:

That WHEREAS, the City of Burlington (“City”) owns and operates the Burlington International Airport in South Burlington, Vermont (“Airport”); and

WHEREAS, Hertz Corporation seeks to transfer the Dollar Car Rental brand to Advantage Car Rental as a result of United States Federal Trade Commission approval of Hertz’s acquisition of Dollar Thrifty; and

WHEREAS, the Interim Director of Aviation Gene Richards deems the above referenced lease transfer to be in the best interest of the City, Airport and public airport purpose,

NOW THEREFORE BE IT RESOLVED, that upon the April 15, 2013 recommendation of the Board of Finance and the April 29, 2013 approval of this body, the Mayor of the City of Burlington, be and hereby is authorized to execute said lease renewal between Shelburne Limestone Corporation and the City of Burlington, and such other documents as will be required for the lawful culmination of said lease, all subject to the prior approval of the Chief Administrative Officer and the City Attorney as necessary.

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**AUTHORIZATION TO TRANSFER DOLLAR
CAR RENTAL BRAND TO ADVANTAGE CAR
RENTAL AT THE BURLINGTON INTERNATIONAL
AIRPORT**

NAME/PURPOSE OF CONTRACTS:	Dollar Car Rental Transfer
ADMINISTRATING DEPARTMENT:	Airport
CONTRACT AMOUNTS:	Per Agreement
CONTRACT TERM:	May1, 2013 – June 31, 2015
RENEWAL TERM:	N/A
DESIGNATION OF FUNDS:	
FISCAL YEAR:	2013
ACCOUNT NAME:	Terminal Operations
ACCOUNT NUMBER:	4460.4505
_____ ; Resolution – “Dollar Car Rental” Transfer	

