

# Los Angeles World Airports

May 25, 2011

The Honorable City Council  
of the City of Los Angeles  
City Hall, Room 395  
Los Angeles, CA 90012

Subject: **APPROVAL OF TEN YEAR LEASE AND LICENSE AGREEMENT WITH ALASKA AIRLINES, INC. COVERING DEMISED PREMISES OF APPROXIMATELY 67,410 SQUARE FEET IN TERMINAL 6 AT LOS ANGELES INTERNATIONAL AIRPORT.**

LAX  
LA/Ontario  
Van Nuys

City of Los Angeles

Antonio R. Villaraigosa  
Mayor

Board of Airport  
Commissioners

Michael A. Lawson  
President

Valeria C. Velasco  
Vice President

Joseph A. Aredas  
Robert D. Beyer  
Boyd Hight  
Fernando M. Torres-Gil  
Walter Zifkin

Gina Marie Lindsey  
Executive Director

In accordance with Section 606 of the City Charter, the Board of Airport Commissioners transmits for your approval a ten year Lease and License Agreement with Alaska Airlines, Inc. for premises in Terminal 6 at Los Angeles International Airport.

## RECOMMENDATION FOR CITY COUNCIL

1. APPROVE the ten year Lease and License Agreement with Alaska Airlines, Inc. at Los Angeles International Airport.
2. CONCUR in the Board's action authorizing the Executive Director to execute the ten year Lease and License Agreement with Alaska Airlines, Inc.
3. FIND that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III Class 1(18)(c) of the Los Angeles City CEQA Guidelines.

The Board of Airport Commissioners, at their meeting held on April 4, 2011, by Resolution No. 24422 approved the ten year Lease and License Agreement with Alaska Airlines, Inc. subject to the approval of your Honorable Body, is attached.

There is no fiscal impact to the City's General Fund as a result of this action.

## CONCLUSION

Please return the attached ten year Lease and License Agreement with Alaska Airlines, Inc. to the Department of Airports' Board Office after City Council approval and Certification of that approval.

Very truly yours,



Sandra J. Miller – Commission Executive Assistant II  
BOARD OF AIRPORT COMMISSIONERS

cc:Trade, Commerce and Tourism Committee  
Councilmember Hahn, E-file  
Councilmember Rosendahl, E-file  
Councilmember LaBonge, E-file.  
CAO (Airport Analyst), E-file  
CLA (Airport Analyst), E-file  
City Clerk's Office, Enc. (one original and one copy)



RESOLUTION NO. 24422

WHEREAS, on recommendation of Management, there was presented for approval, a ten (10)-year Terminal Space Lease and License Agreement with Alaska Airlines, Inc. in Terminal 6 at Los Angeles International Airport, including obligations for Alaska Airlines, Inc. to make major improvements to Terminal 6 that would proceed in conjunction with a Settlement Agreement related to past rates and charges litigation; and

LAX  
LA/Ontario  
Van Nuys  
City of Los Angeles  
Antonio R. Villaraigosa  
Mayor  
Board of Airport  
Commissioners  
Michael A. Lawson  
President  
Valeria C. Velasco  
Vice President  
Joseph A. Arellas  
Robert D. Beyer  
Boyd Hight  
Fernando M. Torres-Gil  
Walter Zifkin  
Gina Marie Lindsey  
Executive Director

WHEREAS, key components of the Lease include:

• Term:

The Lease commences on the Closing Date defined in the Settlement Agreement as the date that the Lease is approved by the City Council and executed by Los Angeles World Airports (LAWA). Based on LAWA's experience with forty (40) year leases in certain terminals at Los Angeles International Airport (LAX) and the uncertainties inherent in the airline industry, LAWA has sought to minimize the term of lease agreements for passenger terminals at LAX to a more reasonable term. The Lease expires ten (10) years from the Rent Commencement Date, which is the earlier of (i) April 1, 2012, or (ii) the date that Alaska Airlines, Inc. ("Alaska") commences flight operations from Terminal 6.

• Terminal Renovations:

The Lease requires Alaska to make renovations in Terminal 6 as outlined in Schedule 1 of the Lease, including but not limited to

- relocating airlines and other tenants to enable renovations to Terminal 6;
- designing and implementing a new inline Checked Baggage Inspection System (CBIS) and baggage sorting system for use by all Terminal 6 airlines;
- upgrading holdrooms and providing Federal Inspection Services capability to at least two additional gates that currently only have domestic capabilities;
- installing Common Use Systems to allow any airline to use Alaska's gates for processing passengers;
- expanding the Terminal 6 west ticket counter lobby;
- enlarging the passenger security screening checkpoint;
- refurbishing the arrival/baggage claim area;
- creating consolidated operations space and building a new premium passenger lounge; conducting preparatory work to facilitate LAWA's escalator replacement plans in certain areas of Terminal 6;
- upgrading associated building infrastructure required to support facility improvement; and

WHEREAS, these renovations, which are estimated to cost approximately \$271,000,000, are categorized as follows:

- Terminal 6 Relocations – relocation of airlines and other tenants to enable the renovations of Terminal 6. Relocations are an estimated cost of \$12,682,371; LAWA will provide Alaska rent credits.
- Terminal 6 Airline Renovations – improvements that are usable by any airline operating in Terminal 6, located in parts of Terminal 6 classified as "airline areas", and a proportionate share of building improvements allocated to "airline areas" of the terminal. The Terminal



6 Airline Renovations are estimated to cost \$161,706,413, including reimbursable costs associated with the Terminal 6 in-line CIBS. The Terminal 6 Airline Renovations are divided into ten components; LAWA will purchase each component as it is completed.

- Terminal 6 Renovations – improvements that are allocated to the “non-airline areas” of Terminal 6, including expansion of the building footprint for an improved security checkpoint, renovations specific to the “non-airline areas” of Terminal 6, and a proportionate share of the building improvements allocated to “non-airline areas” of the terminal. The Terminal 6 Renovations are estimated to cost \$77,923,234. LAWA will provide rental credits to Alaska in equal installments over the term of the Lease, including annualized accrued interest at eight percent (8%) on the outstanding principal, unless LAWA, subject to Board approval, purchases the unamortized balance of the Terminal 6 Renovations.
- Alaska Renovations – improvements branded and unique to Alaska’s operational needs, including specialty lighting, finishes or other architectural elements specifically selected by Alaska. The Alaska Renovations are estimated to cost \$18,606,322, and will be fully funded by Alaska.
- Construction Rent:  
The Lease stipulates that Alaska will pay approximately \$4,200,000 in construction rent following the Lease Commencement Date to compensate LAWA for revenue lost due to impacts from terminal renovations and new space occupied by Alaska during construction.
- Credits for Maintenance and Operating Expense – During Construction Period:  
The Lease also provides that LAWA will issue rental credits to Alaska for baggage systems and jet-bridge maintenance expenses that Alaska incurs during the construction period. Currently, these systems are maintained by LAWA and LAWA recovers these Maintenance & Operation (M&O) costs directly from airlines operating in Terminal 6. Because Alaska will be altering these systems during the construction period, Alaska will assume responsibility for their maintenance and operation. LAWA will continue to recover M&O charges from airlines operating in Terminal 6, and will provide Alaska with credits for these costs during the construction period only. After construction is complete, Alaska will operate and maintain the systems, but will charge other airlines using the systems directly for their use.
- Demised Premises:  
On the Lease Commencement Date, the demised premises will consist of approximately 15,990 square feet of space. On the Rent Commencement Date, the demised premises will consist of approximately 67,410 square feet of space. The increased demised premises results from the addition of holdroom and baggage area spaces that will be added to the Lease upon completion of proposed renovations. Following completion of the renovations, to reflect as-built conditions, the demised premises may be revised by the Executive Director through revision to Exhibit A of the Lease to correct any deficiencies in the description of the constructed premises, subject to City Attorney approval as to form, so long as the revision does not exceed 10% of the estimated square feet shown on Exhibit A for Rent Commencement Date.
- Rent Commencement Date:  
The Lease stipulates that Alaska will begin to pay all rent on the Rent Commencement Date, which is the earlier of (i) April 1, 2012, or (ii) the date that Alaska commences flight operations from Terminal 6.
- Base Rent:  
At the Rent Commencement Date, Alaska will pay Base Rent as set by the Board of Airport Commissioners (BOAC) by multiplying Alaska square feet by either (i) a base rental rate calculated by dividing all applicable base building charges allocated to airline areas in Terminal 6 (including land rent, debt service, coverage, amortization) by airline square feet in the terminal, or (ii) the Unified Capital Charge (UCC) once adopted by the BOAC.

- Unified Capital Charge:  
Alaska acknowledges that LAWA may adopt the UCC in order to recover capital costs incurred by LAWA at LAX. The UCC will be based on LAWA's aggregate costs of acquiring, financing or constructing all assets comprising the LAX terminals or reasonably necessary for the functioning of the LAX terminals, including, but not limited to, historic costs, costs incurred for outstanding bond defeasance which were used to make terminal improvements at LAX, costs incurred to buy out existing leases, and the costs incurred from time to time to settle certain terminal matters. Alaska agrees to be subject to the UCC once this charge is adopted by the BOAC.
- M&O Rates:  
Pursuant to the Lease, Alaska will be required to pay Terminal Expense Additional Rent, which is composed of (i) Terminal Regular Expense Additional Rent, (ii) Alaska's share of Terminal Special Use Share of Terminal Special Expenses, and (iii) Terminal Special Equipment Expenses Additional Rent. The methodology of calculating maintenance and operation expenses is the methodology used in the Los Angeles International Airport Passenger Terminal Tariff and may be amended from time to time.
- Equipment Use:  
Upon completion of approved renovations projects including the inline baggage handling system, the common use system, and jet bridge renovations, LAWA will purchase the improvements from Alaska and lease back these systems to Alaska in accordance with the Lease.
- Performance Guarantee:  
The Lease requires Alaska to provide an irrevocable bank letter of credit in an amount three times (3x) the sum of the amount of the initial estimated monthly installment total rents due LAWA in accordance with LAWA policy as approved by the BOAC.
- Credits, Purchase Obligation and Purchase Option:  
LAWA's credit obligation for Terminal 6 Relocations shall not exceed \$12,682,371. LAWA's total obligation to purchase Terminal 6 Airline Renovations shall not exceed \$143,778,833. It is projected that funding of \$17,927,580 will be received from the Transportation Security Administration (TSA) for the inline CBIS Project to reimburse Alaska for approved inline CBIS expenditures. Also, should LAWA determine to exercise the option to purchase the Terminal 6 Renovations instead of providing rental credits to Alaska, staff will request additional funding authority in an amount not to exceed \$77,923,234, when requesting BOAC authority to exercise the option to purchase Terminal 6 Renovations.
- Gate Use:  
The Lease includes LAWA's standard language for LAWA-established preferential-use and common-use gate assignment protocols; and

WHEREAS, the projected Plan of Finance is as follows:

<u>Uses:</u>	
Alaska Proprietary Imprv. (Club Room, Finishes, etc)	\$ 18,600,000
Airline Relocations	12,700,000
In-Line CIBS (including TSA reimbursable portion)	62,000,000
Terminal Building Improvements (Airline share)	99,800,000
Terminal Building Improvements (non-airline share)	<u>77,900,000</u>
	\$271,000,000
<u>Sources:</u>	
Alaska Airlines invested capital	\$ 18,600,000
LAWA Commercial Paper/Long Term Debt	156,500,000
LAWA Cash/PFC collections/TSA reimbursements	<u>95,900,000</u>
	\$271,000,000; and

WHEREAS, the issuance of permits, leases, agreements or other entitlements granting use of an existing facility at a municipal airport is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Article III Class 1(18)(c) of the Los Angeles City CEQA Guidelines; and

WHEREAS, Alaska will comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances; and

WHEREAS, this action is statutorily exempt from the provisions of the Minority/Women Business Enterprise Program pursuant to Mayor's Executive Directive 2001-26; and

WHEREAS, Alaska will comply with the provisions of the Affirmative Action Program; and

WHEREAS, Alaska is not required to obtain a Business Tax Registration Certificate for the Lease Agreement; and

WHEREAS, Alaska will comply with the provisions of the Child Support Obligations Ordinance; and

WHEREAS, Alaska has approved insurances, in the terms and amounts required, on file with LAWA; and

WHEREAS, Alaska must submit the Contractor Responsibility Program Pledge of Compliance, and comply with the provisions of said program; and

WHEREAS, Alaska must be determined by the Public Works – Office of Contract Compliance to be in compliance with the provisions of the Equal Benefits Ordinance; and

WHEREAS, Alaska will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX jobs; and

WHEREAS, actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 606;

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners determined that this action is exempt from the California Environmental Quality Act requirements; adopted the Staff Report; approved the Terminal Space Lease and License Agreement with Alaska Airlines, Inc. in Terminal 6 at Los Angeles International Airport that will generate approximately \$4,200,000 in revenue in the first year to Los Angeles World Airports; further approved appropriation of \$161,706,413 from the Los Angeles International Airport Revenue Fund to cover costs of Airline Renovations and Transportation Security Administration reimbursements, for allocation to Work Breakdown Structure Element 1.11.12-700 – Terminal 6 Renovations as needed; and authorized the Executive Director or designee to execute the Terminal Space Lease and License Agreement with Alaska Airlines, Inc. in Terminal 6 at Los Angeles International Airport upon approval as to form by City Attorney and upon approval by the Los Angeles City Council.

o0o

I hereby certify that this Resolution No. 24422 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Monday, April 4, 2011.

A handwritten signature in blue ink, appearing to read 'S. J. Miller', is written over the text area.

Sandra J. Miller – Secretary  
BOARD OF AIRPORT COMMISSIONERS

AS CONTRACT

# 10-137  
ORIGINAL 3 OF 3

EXECUTION COPY

---

**THE CITY OF LOS ANGELES,  
DEPARTMENT OF AIRPORTS,**

*Landlord*

and

**ALASKA AIRLINES, INC.,**

*Tenant*

---

**AIRLINE TERMINAL SPACE LEASE  
AND LICENSE AGREEMENT**

---

Dated as of \_\_\_\_\_

**Terminal 6  
Los Angeles International Airport**

---

## TABLE OF CONTENTS

	Page
1. Demise; Grant of License; Term.....	2
1.1. Demise .....	2
1.2. Grant of License.....	2
1.3. Terminal 6 Renovations.....	2
1.4. Term.....	11
2. Rent.....	11
2.1. Base Rent .....	11
2.2. Base Rent Payments.....	13
2.3. Terminal Expenses Additional Rent.....	13
2.4. Airport Infrastructure Additional Rent .....	15
2.5. Percentage Rent .....	16
2.6. Other Charges .....	16
2.7. Full Cost Recovery; Books and Records; Annual Consultation.....	23
2.8. Other Sums Deemed Additional Rent.....	25
2.9. Late Charges .....	25
2.10. No Counterclaim, Abatement, etc.....	25
2.11. No Waiver; Retroactive Payments.....	26
2.12. Manner of Payment.....	27
3. Use .....	27
3.1. Permitted Uses .....	27
3.2. Prohibited Uses .....	27
3.3. Other Use Limitations .....	27
3.4. Apron Loading of Aircraft.....	27
4. Alterations, etc. ....	28
4.1. Landlord's Consent.....	28
4.2. Alterations not Requiring Consent.....	28
4.3. Alterations Requiring Consent.....	28
4.4. Performance of Alterations.....	29
4.5. Ownership of Improvements and Alterations .....	29
4.6. Notices of Non-Responsibility.....	30
5. Maintenance and Repair .....	30
5.1. Maintenance and Repair by Tenant .....	30
5.2. Maintenance and Repair by Landlord.....	31
5.3. Prevailing Wage.....	31

## TABLE OF CONTENTS

	Page
6. Liens, etc.....	31
7. Compliance with Legal Requirements and Insurance Requirements, etc.....	32
8. Permitted Contests .....	32
9. Indemnity; Insurance .....	33
9.1. Indemnity .....	33
9.2. Insurance .....	34
9.3. Carriers; Policy Provisions .....	35
10. Damage or Destruction .....	35
10.1. Tenant to Restore .....	35
10.2. Termination of Lease .....	36
10.3. Tenant to Give Notice .....	37
10.4. Waiver.....	37
11. Eminent Domain .....	37
11.1. Total Taking .....	37
11.2. Partial Taking .....	37
11.3. Awards .....	37
11.4. Temporary Taking .....	37
11.5. Restoration .....	38
11.6. Effect of Termination.....	38
12. Assignment, Subletting.....	39
12.1. Landlord's Consent Required .....	39
12.2. Sublettings and Assignments .....	39
12.3. Terms of all Sublettings, etc. ....	41
12.4. Rights of Affiliates.....	41
13. Pipes, Ducts and Conduits; Access to Tenant Areas, etc.....	42
13.1. Pipes, Ducts and Conduits .....	42
13.2. Landlord's Access to Tenant Areas .....	42
13.3. Emergency Access to Demised Premises .....	42
13.4. Changes to Common Areas .....	42
13.5. Tenant's Access to Tenant Areas.....	42
14. Events of Default, Remedies, etc.....	43
14.1. Events of Default .....	43
14.2. Repossession, etc. ....	45
14.3. Damages.....	45
14.4. Security .....	46
14.5. Reletting.....	46
14.6. Other Remedies.....	47
14.7. Tenant's Waiver of Statutory Rights .....	47

## TABLE OF CONTENTS

	Page
14.8. Landlord's Right to Perform Tenant's Covenants .....	47
15. Performance Guaranty .....	48
15.1. Initial Performance Guaranty .....	48
15.2. Increases to Performance Guaranty .....	48
15.3. Purpose; Return.....	49
15.4. Replacement Security Deposit Methodology. . . . .	49
15.5. Policy Change. ....	49
16. Space Utilization.....	49
16.1. Policy .....	49
16.2. Cancellation upon Cessation of Service .....	49
16.3. Tenant's Preferential-Use Gates.....	49
16.4. Landlord's Preferential-Gate Scheduling Rights.....	50
16.5. Landlord's Accommodation Rights .....	51
16.6. Use of Preferential-Use Boarding Facilities by Other Airlines .....	52
16.7. Conversion of Preferential-Use Gates to Common-Use Gates.....	54
16.8. Deletion of Demised Premises Upon Conversion of Preferential-Use Gates to Common-Use Gates.....	56
16.9. Gate Scheduling Protocols.....	57
16.10. Establishment of Preferential-Use Requirements .....	58
17. End of Term .....	59
17.1. Surrender.....	59
17.2. Holdover .....	59
18. Quiet Enjoyment .....	59
19. Notices .....	60
20. Utilities.....	61
20.1. Tenant Responsible.....	61
20.2. Landlord Not Liable.....	61
20.3. Interruptions of Service.....	61
21. Rights of Flight .....	61
22. Airport and Terminal Management .....	61
22.1. Authority of Landlord in Terminal Common Areas, Vertical Areas and Joint Use Areas .....	61
22.2. Major Changes .....	62

## TABLE OF CONTENTS

	Page
23. No Landlord's Representations.....	62
24. Communications Equipment and Antennae.....	62
25. Signs and Advertising Materials.....	62
26. Other Tenant Covenants .....	63
26.1. Environmental Matters.....	63
26.2. Security .....	64
26.3. Business Tax Registration.....	64
26.4. Noise Abatement Procedures.....	64
26.5. Nondiscrimination and Equal Employment Practices .....	65
26.6. Taxes, Permits and Licenses .....	66
26.7. Living Wage Ordinance.....	67
26.8. Service Contractor Workers Retention Ordinance .....	68
26.9. Child Support Orders .....	68
26.10. Visual Artists' Rights Act.....	69
26.11. Contractor Responsibility Program.....	69
26.12. First Source Hiring Program .....	69
26.13. Equal Benefits Ordinance .....	69
27. Definitions.....	70
28. Miscellaneous .....	83
28.1. Waiver.....	83
28.2. Surrender.....	83
28.3. Entire Agreement.....	83
28.4. Rights Limited by Law .....	83
28.5. Certain Statutes .....	83
28.6. Approvals.....	84
28.7. Certain Amendments .....	84
28.8. Time Periods .....	85
28.9. Measurements .....	85
28.10. Certain Exhibits and Deliveries .....	85
28.11. Other Agreements not Affected .....	86
28.12. Subordination to Government Agreements .....	86
28.13. No Joint Venture .....	86
28.14. Counterparts.....	86
28.15. Captions, etc.....	86
28.16. Waiver of Trial by Jury.....	86
28.17. Survival of Obligations.....	86
28.18. Governing Law .....	86
28.19. Interpretation.....	86
28.20. Successors and Assigns.....	87
28.21. Attorneys' Fees .....	87
28.22. Authority .....	87
28.23. Settlement Agreement. ....	87

## SCHEDULES AND EXHIBITS

- Schedule 1 Terminal 6 Renovations and Inline Baggage System Project  
Attachment A to Schedule 1: Summary of Terminal 6 Renovations and the Inline Baggage System Project, including cost estimates  
  
Attachment B to Schedule 1: ALASKA Renovations  
  
Attachment C to Schedule 1: T6 Airline Renovations described by components, including estimated costs  
  
Attachment D to Schedule 1: T6 Terminal Renovations  
  
Attachment E to Schedule 1: TSA Reimbursement Agreement
- Schedule 2 Insurance Schedule  
Schedule 3 Maintenance Schedule  
Schedule 4 Basic Information Schedule
- Exhibit A Description of Demised Premises  
Exhibit A-1 Description of Equipment  
New Baggage Systems  
Common Use Systems
- Exhibit B Summary of Computation and Allocation Method for Terminal Expenses  
Exhibit C Summary of Computation and Allocation Method for Airport Infrastructure Charges  
Exhibit D Summary of Computation and Allocation Method for Terminal Capital Charges  
Exhibit E [Intentionally Omitted]  
Exhibit F Equal Employment Practices  
Exhibit G Affirmative Action  
Exhibit H Living Wage Ordinance  
Exhibit I Service Contractor Worker Retention Ordinance  
Exhibit J Child Support Assignment Orders  
Exhibit K Contractor Responsibility Program  
Exhibit L First Source Hiring Program  
Exhibit M Loading Plan

## Index of Defined Terms

Defined Term	Page
Accommodation Notice .....	51
Active Loading.....	50
Active Periods.....	50
Active Unloading.....	50
Additional Rent Late Charge .....	25
Affiliate .....	70
Affirmative Action Program .....	66
Airline Equipment.....	70
Airline Exclusive Use Areas.....	70
Airline Joint Use Areas.....	71
Airline Users .....	71
Airport.....	71
Airport Debt.....	71
Airport Debt Instrument.....	71
Airport Engineer .....	71
Airport Infrastructure Additional Rent .....	15
Airport Infrastructure Additional Rent Reconciliation Statement.....	15
Airport Infrastructure Charges .....	71
Airport Infrastructure Improvement .....	72
ALASKA Renovations .....	6
Alterations.....	28
Application.....	72
Applied.....	72
Apply.....	72
Auditable Costs.....	10
Baggage Handling Systems .....	18
Baggage Handling Systems Additional Rent.....	19
Base Rent .....	72
Base Rent Late Charge.....	25
Base Rent Reconciliation Statement.....	13
Basic Information Schedule.....	72
Board.....	72
Boarding Bridges .....	22
Boarding Bridges Additional Rent.....	22
Boarding Devices.....	51
Business Day.....	72
Capital Improvement .....	72
Capital Improvement Floor Amount.....	72
City Attorney .....	73
City Council .....	73
Closing Date.....	10
Common Use Systems .....	20
Common Use Systems Additional Rent .....	20

## Index of Defined Terms

Common Use Systems Rent Commencement Date.....	21
Construction Base Rent.....	12
Construction Period.....	12
Converted Demised Premises.....	56
Coverage Expenses.....	73
CPI.....	73
CPI Change.....	73
Critical Portion.....	73
Debt Service.....	73
Demised Premises.....	73
discretion.....	74
Displaced Airlines.....	52
EBO.....	69
Environmental Losses.....	74
Environmental Requirements.....	74
Equal Employment Practices.....	66
Event of Default.....	42
Excluded Areas.....	74
Execution Date.....	1
Executive Director.....	74
Existing Baggage Systems.....	18
Existing Baggage Systems Maintenance Charge.....	18
Existing Bridges.....	22
Existing Bridges Maintenance Charge.....	22
Existing Related Equipment.....	22
Final Relocation Construction Completion Date.....	6
First Option Date.....	8
FIS.....	1
Gate.....	49
Hazardous Materials.....	74
herein.....	74
hereof.....	74
hereto.....	74
hereunder.....	74
Impermissible Lien.....	31
Inbound/Outbound Baggage System.....	18
include.....	74
including.....	74
Initial Valuation Date.....	75
Inline Baggage System.....	6
Insurance Requirements.....	75
Interest Costs.....	5
International Aircraft.....	58
International Joint Use Areas.....	75
Landing Fee.....	75
Landlord.....	75

## Index of Defined Terms

Landlord Proprietary Areas.....	75
Large Aircraft.....	50
Lease .....	75
Lease Commencement Date .....	10
Lease Year .....	75
Legal Requirements .....	75
Loading Plan.....	27
LWO .....	67
Market Method.....	76
Minimum Utilization Requirement.....	55
New Baggage Systems.....	18
New Baggage Systems Maintenance Charge .....	18
New Boarding Bridges.....	22
New Related Equipment .....	22
Non-Active Periods.....	50
Non-ERISA Benefits .....	69
Operations Space .....	56
Other Airlines.....	4
Partial Relocation Construction Completion Date.....	6
Partial Taking.....	37
Passenger Facility Charges .....	76
Passenger Terminal Apron Area.....	53
Percentage Rent .....	16
Performance Guaranty .....	47
Permitted Amortization.....	76
Person.....	76
Post-Construction T6 Terminal Renovations Acquisition Cost.....	9
Preferential-Use Boarding Facilities.....	51
Preferential-Use Requirement.....	58
Proposed Sublease Space.....	39
Qualifying Airport Capital Improvement .....	76
Qualifying Terminal Capital Improvement .....	76
Reimbursement Rate.....	76
Related Equipment Additional Rent .....	23
Relocation Expenses .....	4
Relocation Plan .....	4
Relocation Rental Credit.....	6
Rentable Area.....	77
Rental Rate.....	77
Rent Commencement Date .....	10
Requesting Airline .....	51
Reserve Deposits.....	77
Reserve Withdrawals .....	77
Retail and Concession Areas .....	77
Settlement Agreement.....	1
SCWRO .....	68

## Index of Defined Terms

Space Use Factor.....	77
Stipulated Rate.....	77
Substantial Destruction.....	78
T6/7 FIS Fees.....	17
T6 Airline Renovations.....	7
T6 Airline Renovations Component.....	7
T6 Airline Renovations Component Acquisition Cost.....	7
T6 Airline Renovations Component Completion Date.....	7
T6 Terminal Renovations.....	8
T6 Terminal Renovations Acquisition Cost.....	8
T6 Terminal Renovations Completion Date.....	8
T6 Terminal Renovations Component.....	8
T6 Terminal Renovations Component Acquisition Cost.....	9
T6 Terminal Renovations Rental Credit.....	9
T6 Related Equipment.....	22
T6 Renovations.....	6
T6 Scheduling Protocols.....	57
Taking.....	78
Taking Date.....	78
Tariff.....	78
TBIT.....	17
Tenant.....	78
Tenant Areas.....	78
Tenant's Joint Use Share.....	78
Tenant's Preferential-Use Gates.....	49
Tenant's Property.....	79
Tenant's Special Use Share.....	79
Tenant's Use Share.....	79
Term.....	10
Terminal.....	1
Terminal 6 Renovations.....	2
Terminal Activity Threshold.....	79
Terminal Capital Charges.....	80
Terminal Capital Charges Method.....	80
Terminal Common Areas.....	80
Terminal Expenses.....	80
Terminal Expenses Additional Rent.....	14
Terminal Regular Expenses Additional Rent.....	14
Terminal Rentable Area.....	82
Terminal Special Expenses.....	82
Terminal Special Expenses Additional Rent.....	14
Total Taking.....	37
TSA.....	1
TSA Reimbursement.....	10
Unavoidable Delays.....	82
Unified Capital Charge.....	11

## Index of Defined Terms

Usable Area.....	13
Valuation Cycle .....	82
Valuation Year.....	83
VARA.....	69
Vertical Areas .....	83
Work .....	3

**AIRLINE TERMINAL SPACE LEASE  
AND LICENSE AGREEMENT**

THIS AIRLINE TERMINAL SPACE LEASE AND LICENSE AGREEMENT is made as of April \_\_\_\_\_, 2011 (the "Execution Date") between the CITY OF LOS ANGELES, acting by and through the Board of Airport Commissioners of its Department of Airports, as landlord and licensor, and Alaska Airlines, Inc., as tenant and licensee. The terms "Lease", "Landlord", and "Tenant", and certain other terms used in this Lease and not defined elsewhere in the text of this Lease, are used with the meanings specified in Section 27; terms defined elsewhere in the text of this Lease are listed in the Index of Defined Terms appearing following the Table of Contents.

WHEREAS, the Tenant seeks to relocate its operations at the Airport from Terminal 2 and Terminal 3 to Terminal 6 (the "Terminal") for operational reasons including, but not limited to, access to the International Joint Use Areas in the Terminal for its international passengers;

WHEREAS, the Tenant's relocation to the Terminal requires (i) the relocation of various airlines using space in the Terminal pursuant to the terms of the Tariff to other portions of the Terminal and to other terminals; and (ii) the relocation of various airlines with leases in the Terminal to other portions of the Terminal;

WHEREAS, the Tenant intends to make significant renovations to the Terminal and therefore seeks to enter into a lease with the Landlord for space in the Terminal;

WHEREAS, the Tenant intends to make certain renovations in the Terminal such as: (i) providing Federal Inspection Services ("FIS") facilities capability to at least two gates that are currently used as domestic gates; (ii) building a new premium passenger lounge; (iii) renovating certain east-side ticket counters in connection with the relocation of Continental Airlines, Inc. and installing new west-side ticket counters for the proposed relocation of the Tenant; (iv) designing and installing a new inline outbound baggage screening and baggage sortation system, which system shall be made available for use to all Terminal users; (v) upgrading the Airline Joint Use Areas; (vi) upgrading certain building systems; (vii) installing certain airline common use terminal equipment; (viii) remodeling the arrival level area; and (ix) modifying the U.S. Transportation Security Administration ("TSA") checkpoint area;

WHEREAS, the Landlord and the Tenant are parties to a Settlement Agreement dated April 4<sup>th</sup>, 2011 (the "Settlement Agreement") whereby the Tenant and the Landlord settled certain claims and matters as more particularly described in the Settlement Agreement;

WHEREAS, in the Settlement Agreement the Landlord and the Tenant have reached agreement regarding the application of federal grant monies; and

WHEREAS, one of the conditions of the Settlement Agreement is that the Landlord and the Tenant enter into this Lease, which Lease is to include the Landlord and the Tenant's agreement regarding certain financial aspects of such renovations, including the Landlord's repurchase options and the Landlord's reimbursement obligations.

NOW, THEREFORE, in consideration of the mutual agreements contained in this Lease, the Landlord and the Tenant agree with each other as follows:

1. Demise; Grant of License; Term.

1.1. Demise. Upon and subject to the conditions and limitations set forth in this Lease, the Landlord hereby leases to the Tenant, and the Tenant hereby leases from the Landlord, the Demised Premises as described and delineated in Exhibit A.

1.2. Grant of License.

1.2.1. In connection with the lease of the Demised Premises, the Landlord grants to the Tenant a non-exclusive license to use the Airline Joint Use Areas, the Terminal Common Areas, Vertical Areas, and (if the Tenant conducts international passenger service at the Terminal) the International Joint Use Areas, which license shall expire simultaneously with the expiration or earlier termination of the Term.

1.2.2. During the Term, the Landlord reserves the right to require the Tenant to obtain a permit from the Landlord for the use of curbside check-in kiosks placed outside of the Terminal at the Airport and be subject to the standard charges thereunder.

1.3. Terminal 6 Renovations.

1.3.1. Generally. The Landlord acknowledges that the Tenant wishes to make various renovations to the Terminal (such renovations, the "Terminal 6 Renovations") during the Term (as defined below), which renovations shall be subject to Section 4 of this Lease and which will be purchased by the Landlord in accordance with Section 1.3.3 below. The Executive Director or his or her designee shall use its reasonable efforts to approve the detailed preliminary plans for the Terminal 6 Renovations, pursuant to Section 4.3 below, within the later to occur of (i) thirty (30) days following execution of the Lease or (ii) thirty (30) days following receipt of such detailed scope of work from the Tenant. A summary list, including the Tenant's cost estimates, of the Terminal 6 Renovations as of the Execution Date is attached hereto as Schedule 1-Attachment A. The Landlord and the Tenant agree that the Tenant shall pay for any and all costs associated with the Terminal 6 Renovations, subject to reimbursement as provided below.

1.3.1.1. Additional Alteration Requirements. In addition to the requirements of Section 4, the Tenant shall also provide with its request for consent for the Terminal 6 Renovations pursuant to Section 4, detailed drawings, plans and cost estimates, which shall include all soft and hard costs, of each of the Terminal 6 Renovations.

1.3.1.2. Prevailing Wage. Construction work performed on the Landlord's property may require payment of prevailing wages. The Tenant is obligated to make that determination, and shall be bound by and comply with applicable provisions of the California Labor Code and Federal, State, and local laws related to labor. The Tenant shall indemnify and pay or reimburse the Landlord for any damages, penalties or fines (including, but not limited to,

attorney's fees and costs of litigation) that the Landlord incurs, or pays, as a result of noncompliance with applicable prevailing wage laws in connection with the work performed for the Terminal 6 Renovations and the Relocation Plan (defined below) (collectively, the "Work").

1.3.1.3. Competitive Bidding/Proposals. The Tenant recognizes and accepts that the contractor selection procedures specified herein are intended to promote pricing and responsive and responsible proposals in a fair and reasonable manner. As such, the selection of contractors for the construction of the Terminal 6 Renovations shall be based upon competitive bids or proposals as follows:

(i) The Tenant shall use reasonable efforts to secure the commitment to bid or propose on the Terminal 6 Renovations from a minimum of three (3) bidders or proposers.

(ii) In the event that the Tenant obtains fewer than three (3) bids or proposals, it shall provide the Landlord with a written description of its efforts to obtain competition and, if it believes that it should proceed to award the bid or proposal with fewer than three (3) bidders or proposers, the justification therefor, including why the Tenant believes the cost of such bid or proposal is reasonable.

(iii) In the event that the Tenant elects not to proceed to award the bid or proposal solely on the basis of price, it shall provide the Landlord with a written justification of the reasons therefor.

1.3.1.4. Warranty. The Tenant warrants that the services provided herein shall conform to the highest professional standards pertinent to respective industry. The Tenant warrants that all materials and equipment furnished pursuant to this Section 1.3 will be new and of good quality unless otherwise specified, and that all workmanship will be of good quality, free from faults and defects and in conformance with the design documents approved by the TSA and/or the City of Los Angeles Department of Building and Safety, as applicable.

1.3.1.5. Rules and Regulations.

(i) The Tenant shall have sole responsibility for fully complying with any and all present and future rules, regulations, restrictions, ordinances, statutes, laws and/or orders of any federal, state, and/or local government applicable to the Work. The Tenant shall be solely responsible for fully complying with any and all applicable present and/or future orders, directives, or conditions issued, given or imposed by the Executive Director which are now in force or which may be hereafter adopted by the Board and/or the Executive Director with respect to the operation of the Airport. In addition, the Tenant agrees to specifically comply with any and all Federal, State, and/or local security regulations,

including, but not limited to, 14 CFR Parts 107 and 108, regarding unescorted access privileges.

(ii) The Tenant shall comply with the Title VI of the Civil Rights Act of 1964 relating to nondiscrimination. Additionally, FAR Clause 52.203-11 "Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions" is incorporated herein by reference into this Lease. Contracts awarded by the Tenant as a result of this Work must comply with Federal provisions established by laws and statutes.

(iii) The Tenant and its contractors shall be responsible for all civil penalties assessed as a result of failure to comply with any and all present and future rules, regulations, restrictions, ordinances, statutes, laws and/or orders of any federal, state, and/or local government regarding the Work. The Tenant and its contractors shall hold the Landlord harmless and indemnify the Landlord for all civil penalties.

1.3.1.6. Independent Contractor. In furnishing the services provided in this Section 1.3, the Tenant is acting as an independent contractor. The Tenant is to furnish such services in its own manner and method and is in no respect to be considered an officer, employee, servant or agent of the Landlord.

1.3.2. Terminal 6 Relocations.

1.3.2.1. Relocation. In accordance with Section 633 of the Los Angeles City Charter, the Executive Director has the authority to designate and assign space in the terminals. Accordingly, the Executive Director shall designate and assign space as appropriate to support the Tenant's relocation to the Terminal. To assist the Executive Director, the Tenant has developed and provided the Landlord with a relocation plan (the "Relocation Plan"), which plan outlined the relocation schedule, the proposed location of where Other Airlines (as defined below) would be relocated, and the estimated Relocation Expenses (as defined below), which cost estimates included specific line item costs. The Relocation Plan has been approved by the Executive Director. The Executive Director has the authority to make any necessary changes to any part of the Relocation Plan that has not been implemented as of the Lease Commencement Date as she or he, in the exercise of his or her sole discretion, deems appropriate. The Tenant shall consult the Landlord and the Other Airlines at all stages of the implementation of the Relocation Plan. In addition to the relocation of Other Airlines, the Tenant shall also assist the Executive Director in relocating other users using space in the Terminal that are impacted by the Terminal 6 Renovations and agrees to pay for any and all relocation expenses incurred by such other users. "Other Airlines" means airlines that will be relocated from the Terminal as a result of the Tenant's relocation to the Terminal or the Terminal 6 Renovations. "Relocation Expenses" means all moving costs associated with the relocation of the Other Airlines and

other users, including, but not limited to, (i) the replacement of improvements made by Other Airlines or other users, (ii) Interest Costs (as defined below), (iii) the installation of common use/shared use type equipment such as ticket counters and gate podiums in the Other Airlines' relocated space, and (iv) costs incurred pursuant to Section 1.3.2.3 below. As used herein, "Interest Costs" shall mean imputed project interest costs calculated as simple interest at a rate of eight percent (8%) from the later of (i) the date of expenditure by the Tenant or (ii) October 8, 2009 to the projected date of either issuance of a rental credit or payment for an acquisition. Projects that include Interest Costs contemplated by Section 1.3 will have multiple dates of expenditure, primarily corresponding to the monthly invoice payments by the Tenant to contractors and consultants from the inception of planning and design through the completion of construction, testing and activation.

1.3.2.2. Relocation Expenses/Relocation Rental Credit.

(i) The Tenant agrees to pay for the Relocation Expenses. Relocation Expenses that are incurred by the Tenant and that are determined to be reasonable by the Landlord shall be approved and qualify for Relocation Rental Credit (as defined below).

(ii) The Landlord agrees to issue a Relocation Rental Credit (as defined below) to the Tenant which may be applied against any amounts due to the Landlord from the Tenant for the use of space in terminals at the Airport; *provided, however*, that the total amount of Relocation Rental Credit shall not exceed Twelve Million Six Hundred Eighty-Two Thousand Three Hundred Seventy-One Dollars (\$12,682,371). On or after the (i) Partial Relocation Construction Completion Date (as defined below) and (ii) Final Relocation Construction Completion Date (as defined below), as applicable, the Tenant shall submit a request to the Landlord for the Relocation Rental Credit along with all documentation requested by the Landlord to make its determination of the amount of the Relocation Rental Credit. The Executive Director, or his or her designee, after receipt of such request, shall make his or her determination of the amount of the Relocation Rental Credit and shall issue such credit within sixty (60) days of receipt of all documentation requested by the Landlord to make its determination of the amount of the Relocation Rental Credit. To the extent that the Landlord disputes a portion of the request for Relocation Rental Credit or there is insufficient documentation, the Landlord shall have the right to withhold crediting any disputed or undocumented amounts until such amounts have been verified and documented to the reasonable satisfaction of the Landlord. If there is any dispute regarding the amount of, or insufficient documentation with respect to, such credit, then the Landlord shall issue the amount of Relocation Rental Credit that is not disputed and has been documented within sixty (60) days. The Landlord shall also submit to the Tenant an explanation of the disputed amount or the required documentation within

the above sixty (60) days. The Tenant shall respond within thirty (30) days and the Parties shall meet to resolve any disputes or documentation issues within thirty (30) days of the Tenant's response. Upon the first issuance of any amount of the Relocation Rental Credit, title to all improvements constituting Relocation Expenses shall vest in Landlord. "Partial Relocation Construction Completion Date" is the date that the Tenant has completed all requirements under the construction approval permits issued by the Landlord for the relocations of AirTran, Delta, JetBlue, Continental Allegiant, Spirit and Frontier contemplated under the Relocation Plan. "Final Relocation Construction Completion Date" is the date that the Tenant has completed all requirements under the construction approval permits issued by the Landlord for all of the remaining relocations contemplated under the Relocation Plan. "Relocation Rental Credit" means a rental credit in the amount of the reasonable Relocation Expenses incurred by the Tenant and approved by the Landlord.

1.3.2.3. Construction. To the extent the Tenant requires the use of space in the terminals at the Airport in addition to the demised premises under this Lease for construction related to the Relocation Plan, the Tenant shall use such space pursuant to the terms of the Tariff as may be amended by the Letter Agreement.

### 1.3.3. Terminal 6 Renovations.

1.3.3.1. Classification of Terminal 6 Renovations. Prior to the Tenant's request for consent for the Terminal 6 Renovations pursuant to the requirements of Section 4, the Landlord and the Tenant shall mutually agree on which Terminal 6 Renovations are (i) ALASKA Renovations or (ii) T6 Renovations. "ALASKA Renovations" means those Terminal 6 Renovations which are unique to the Tenant's operations at the Terminal and could not easily be utilized by other airlines operating at the Terminal such as (x) movable trade furniture, fixtures and equipment, and (y) other certain improvements as defined in Schedule 1 – Attachment B located on or affixed to the Demised Premises. "T6 Renovations" means those Terminal 6 Renovations that could readily be utilized by other airlines operating at the Terminal without substantial additional costs to such airlines, including the design and construction of an inline baggage system (the "Inline Baggage System"). The Landlord and the Tenant shall amend Schedule 1 – Attachment B to reflect such agreement. The Executive Director shall have the authority to execute such amendment, subject to approval as to form by the City Attorney, without further approval of the Board; provided, however that such amendment shall not increase the amount to be paid by the Landlord to the Tenant hereunder.

1.3.3.2. Unified Capital Charge. The Tenant acknowledges that, as described in Section 2.1.1.1, the Landlord may adopt a uniform capital charge methodology. Upon adopting a Unified Capital Charge (as defined below), the Landlord will evaluate all costs related to T6 Renovations for inclusion in such Unified Capital Charge (as defined below).

1.3.3.3. Additional Alteration Requirements. In addition to the requirements for alterations under this Lease, the Tenant shall also provide the Landlord with its request for consent for the Terminal 6 Renovations pursuant to Section 4, detailed drawings, plans and cost estimates, which shall include all soft and hard costs, of each of the Terminal 6 Renovations.

1.3.3.4. T6 Renovations –Airline Space. The Tenant shall sell, and the Landlord shall purchase, the T6 Airline Renovations. “T6 Airline Renovations” means the T6 Renovations located in the Terminal as identified in Schedule 1 – Attachment C. The Landlord shall pay the Tenant, within sixty (60) days of the T6 Airline Renovations Component Completion Date (defined below), the amount of the T6 Airline Renovations Component Acquisition Cost (defined below). A “T6 Airline Renovations Component” means one of the ten (10) components of the T6 Airline Renovations, located in the Terminal as identified in Schedule 1 – Attachment C. “T6 Airline Renovations Component Completion Date” means, for each component of the T6 Airline Renovations, the date that the following has occurred: (i) the Tenant has completed all requirements under this Lease and the construction approval permits issued by the Landlord for the T6 Airline Renovations Component and (ii) the Tenant has requested payment and provided the Landlord with proof of payment, including, but not limited to, copies of invoices, of the actual expenses incurred by the Tenant for the T6 Airline Renovations Component Acquisition Cost. “T6 Airline Renovations Component Acquisition Cost” means the actual expenses incurred by the Tenant for any of the T6 Airline Renovations Components, including the Interest Costs incurred for the T6 Airline Renovations Component, as verified by the Landlord; *provided, however*, with respect to the T6 Airline Renovations Component that includes the Inline Baggage System, such T6 Airline Renovations Component Acquisition Cost shall exclude (x) the TSA grant funds for reimbursement that have been received by the Tenant as of the T6 Airline Renovations Component Completion Date for such component, and (y) the TSA grant funds for reimbursement that the Tenant and the Executive Director agree are reasonably likely to be received after the T6 Airline Renovations Component Completion Date for such component. The estimated cost for each T6 Airline Renovations Component is set forth on Schedule 1 – Attachment C. The aggregate amount of T6 Airline Renovations Component Acquisition Cost for all T6 Airline Renovations Components payable by Landlord to the Tenant hereunder in any event shall not exceed One Hundred Forty-Three Million Seven Hundred Seventy-Eight Thousand Eight Hundred Thirty-Three Dollars (\$143,778,833). Except for the T6 Airline Renovations Component that includes the Inline Baggage System, upon the payment of any portion of the T6 Airline Renovations Component Acquisition Cost, title to such T6 Airline Renovations Component, in its entirety, shall vest in the Landlord. With respect to the T6 Airline Renovations Component that includes the Inline Baggage System, title to any and all portions of such component, including the entire Inline Baggage System, regardless of whether subject to or eligible for TSA reimbursement, shall vest in the Landlord upon the payment of the T6 Airline Renovations Component that includes the Inline Baggage System. To the extent that the Landlord disputes a portion of the Tenant’s request for payment of T6 Airlines Renovations Component Acquisition Cost, or there is insufficient documentation with respect thereto, the Landlord shall have the right to withhold any disputed amounts until such amounts have been verified and documented to the

reasonable satisfaction of the Landlord. If there is any dispute regarding the amount of, or insufficient documentation with respect to, the T6 Airline Renovations Component Acquisition Cost, then the Landlord shall pay the amount that is not disputed and has been documented within sixty (60) days of the Tenant's request. The Landlord shall also submit to the Tenant an explanation of the disputed amount or the required documentation within such sixty (60) days. The Tenant shall respond within thirty (30) days and the Landlord and the Tenant shall meet to resolve any disputes or documentation issues within thirty (30) days of the Tenant's response.

1.3.3.5. T6 Renovations – Terminal Space. The Landlord shall have the option to purchase the T6 Terminal Renovations at any time during the term of the Lease. "T6 Terminal Renovations" means the T6 Renovations located in the Terminal as identified in Schedule 1 – Attachment D.

(i) Prior to First Option Date.

A. If the Landlord wishes to exercise its option under Section 1.3.3.5 by the First Option Date (defined below), the Executive Director, subject to Board approval, shall provide written notice of its intent to purchase the T6 Terminal Renovations and shall pay the Tenant the undisputed amount of the T6 Terminal Renovations Acquisition Cost (defined below) according to Section 1.3.3.5(i).B below. "First Option Date" means sixty (60) days after the T6 Terminal Renovations Completion Date. "T6 Terminal Renovations Completion Date" means the date that the following has occurred: (i) the Tenant has completed all requirements under the Lease and the construction approval permits issued by Landlord for the T6 Terminal Renovations and (ii) the Tenant has provided the Landlord with proof of payment, including, but not limited to, copies of invoices, of the actual expenses incurred by the Tenant for the T6 Terminal Renovations Acquisition Cost. "T6 Terminal Renovations Acquisition Cost" means the actual expenses incurred by the Tenant for the T6 Terminal Renovations, including the Interest Costs incurred for the T6 Terminal Renovations, as verified by the Landlord, which total amount in any event shall not exceed Seventy-Seven Million Nine Hundred Twenty-Three Thousand Two Hundred Thirty-Four Dollars (\$77,923,234).

B. If the Landlord has exercised its option pursuant to Section 1.3.3.5, the Landlord shall pay the Tenant, within sixty (60) days of each T6 Terminal Renovations Component Completion Date (defined below), the amount of such T6 Terminal Renovations Component Acquisition Cost (defined below). A "T6 Terminal Renovations Component" means one of the thirteen (13) components of the T6 Terminal Renovations located in the Terminal as identified in Schedule 1 – Attachment D. "T6 Terminal Renovations Component Completion Date" means, for each component of the T6 Terminal Renovations, the date that the following has occurred: (i) the Tenant has completed all requirements under this

Lease and the construction approval permits issued by the Landlord for the applicable T6 Terminal Renovations Component and (ii) the Tenant has requested payment and provided the Landlord with proof of payment, including, but not limited to, copies of invoices, of the actual expenses incurred by the Tenant for such T6 Terminal Renovations Component. "T6 Terminal Renovations Component Acquisition Cost" means the actual expenses incurred by the Tenant for any of the T6 Terminal Renovations Components, including the Interest Costs incurred for the T6 Terminal Renovations Component, as verified by the Landlord. The estimated cost for each T6 Terminal Renovations Component is set forth on Schedule 1 – Attachment D. Upon the payment of any portion of the T6 Terminal Renovations Acquisition Cost, title to the T6 Terminal Renovations, in its entirety, shall vest in the Landlord.

(ii) After the First Option Date.

A. If the Landlord does not exercise its option under Section 1.3.3.5 by the First Option Date, on the First Option Date the Landlord shall issue to the Tenant a rental credit (the "T6 Terminal Renovations Rental Credit") in the undisputed amount of the T6 Terminal Renovations Acquisition Cost, which rental credit shall be applied against any Landing Fees and amounts due to the Landlord from the Tenant for the use of space in terminals at the Airport; *provided, however*, that the total amount of the T6 Terminal Renovations Rental Credit shall not exceed Seventy-Seven Million Nine Hundred Twenty-Three Thousand Two Hundred Thirty-Four Dollars (\$77,923,234). The T6 Terminal Renovations Rental Credit shall be issued in equal installments over the period from the First Option Date to the end of the Term and shall include annualized accrued interest at eight percent (8%) on the outstanding principal that is unpaid as of such issuance date.

B. Notwithstanding Section 1.3.3.5(ii)(A), the Landlord shall always have the option to purchase the T6 Terminal Renovations at any time during the term of the Lease. If the Landlord wishes to exercise its option under Section 1.3.3.5 after the First Option Date, the Executive Director, subject to Board approval, shall provide written notice of its intent to purchase the T6 Terminal Renovations and shall pay the Tenant an amount equal to the remaining unused T6 Terminal Renovations Rental Credit (such unused amount, the "Post-Construction T6 Terminal Renovations Acquisition Cost"). Upon the payment of the Post-Construction T6 Terminal Renovations Acquisition Cost, title to the T6 Terminal Renovations shall vest in the Landlord.

(iii) Disputes. Notwithstanding the foregoing, the Landlord shall have the right to dispute the amount of the T6 Terminal Renovations Acquisition Cost. To the extent that the Landlord disputes a portion of T6 Terminal Renovations Acquisition Cost, or there is insufficient documentation with respect thereto, the

Landlord shall so notify the Tenant prior to the First Option Date and shall have the right to withhold any disputed amounts until such amounts have been verified and documented to the reasonable satisfaction of the Landlord. The Landlord shall also submit to the Tenant an explanation of the disputed amount or the required documentation prior to the First Option Date. The Tenant shall respond within thirty (30) days and the Landlord and the Tenant shall meet to resolve any disputes or documentation issues within thirty (30) days of the Tenant's response.

1.3.3.6. TSA Reimbursement. The TSA grant funding for reimbursement of costs incurred for the inline baggage system projects at the Airport is limited in amount and may not be sufficient for all inline baggage system projects contemplated at the Airport. To the extent that (i) there are available TSA grant funds for the Inline Baggage System, (ii) the Inline Baggage System is eligible for TSA grant funding, and (iii) the Landlord receives such grant funding from the TSA for the Inline Baggage System (such received grant funds, the "TSA Reimbursement"), the Landlord agrees to provide such TSA Reimbursement to the Tenant pursuant to a separate written agreement approved by the Board, a draft of which is attached hereto as Schedule 1 – Attachment E.

1.3.3.7. Audit Rights. The Landlord may, at its sole discretion and with reasonable notice to the Tenant, require the Tenant to provide access to all records and other information necessary to perform an audit of all or any of the Relocation Expenses, the T6 Airline Renovations Component Acquisition Cost, the T6 Terminal Renovations Acquisition Cost or the Post-Construction Terminal Renovations Acquisition Cost (collectively, the "Auditable Costs"). The expense of any such examination or audit shall be borne by the Landlord, provided that if the Tenant's books and records are not made available to the Landlord at a location within fifty (50) miles from the Airport, the Tenant will reimburse the Landlord the reasonable out-of-pocket costs incurred by the Landlord in inspecting the Tenant's books and records, including travel, lodging and subsistence costs. The Landlord shall have the right to commence such audit at any time up to three (3) years beyond the last payment of any Auditable Costs. The Landlord's right to access such records and information shall continue until any audit so commenced is concluded to the Landlord's reasonable satisfaction. The Tenant shall retain all records and other information necessary to perform such an audit until so concluded. To the extent that the results of any such audit disclose excess charges inaccurately or improperly allocated to Auditable Costs, then the Tenant shall reimburse Landlord therefore. Such reimbursement shall first occur by means of cancellation of any remaining outstanding Relocation Rental Credit and shall thereafter be satisfied by payment to the Landlord from the Tenant. To the extent that the results of any such audit disclose an underpayment to the Tenant, then the Landlord shall pay the Tenant such amount.

1.3.3.8. Following the completion of construction, minor modifications to the Demised Premises, not to exceed a cumulative total of 10% of the actual square footage of the Demised Premises, may be made by the Executive Director by an amendment to Exhibit A, subject to City Attorney approval as to form, with an appropriate adjustment in rental charges without the prior approval or later ratification by the Board or the City Council.

1.4. Term. This Lease shall commence on the Closing Date (as defined in the Settlement Agreement) ("Lease Commencement Date"), and shall terminate ten (10) years from the Rent Commencement Date (as defined below) (the "Term"), unless earlier terminated pursuant to the terms hereinafter set forth. The "Rent Commencement Date" shall mean the earlier of April 1, 2012 or (ii) the date that the Tenant commences flight operations from the Terminal. The Landlord and the Tenant agree that the Executive Director shall issue a side letter, subject to City Attorney approval as to form, confirming the Lease Commencement Date and the Rent Commencement Date when they are identified.

2. Rent.

2.1. Base Rent.

2.1.1. Computation of Base Rent.

2.1.1.1. Unified Capital Charge.

2.1.1.1.1. The Tenant acknowledges that (i) the airlines that are using terminal space at the Airport without a lease are subject to the terms and conditions of the Tariff; (ii) the Tariff includes the rate setting methodology for "Basic Rate" and "Base Charges" (both as defined in the Tariff); and (iii) the Landlord may, from time to time, after reasonable consultation with the airlines, amend the Tariff, including for the purpose of adopting replacement rate setting methodologies. The Tenant further acknowledges that the Landlord may, during the Term, after reasonable consultation with the airlines, amend the Tariff to adopt a uniform capital charge methodology (the "Unified Capital Charge") in lieu of the "Basic Rate" and "Base Charges" under the Tariff, in order to recover costs incurred by the Landlord and which replacement methodology shall be reasonable and non-discriminatory. The Unified Capital Charge shall be based on the Landlord's aggregate costs of acquiring, financing or constructing all assets from time to time (i) comprising the Airport terminals or (ii) reasonably necessary for the functioning of the Airport terminals (including the underlying land and the foundation, roof, structure, vertical and horizontal transportation systems, building systems, baggage systems, the central utility plant, and all fixtures and equipment), and also including, but not limited to, historic costs; costs incurred to defease outstanding bonds, the proceeds of which were used to make terminal improvements at the Airport; the costs incurred to buy out existing leases; requirements to meet debt service coverage ratios, including extraordinary coverage protection to meet debt service coverage ratio requirements, and the costs incurred to settle certain terminal matters, including the Settlement Agreement. The Tenant acknowledges that for purposes of this Lease, the parties have agreed to call such methodology the "Unified Capital Charge", but also acknowledges that upon adoption by the Board, such methodology may have a different name. The Tenant agrees to be subject to the Unified Capital Charge (or such other term as

such methodology may be called by the Board) during the Term upon the terms and conditions as described in this Section 2.

2.1.1.1.2. The Tenant acknowledges that the Unified Capital Charge adopted by the Landlord shall include costs incurred by the Landlord to make improvements to terminals other than the Terminal. The Landlord agrees to consult with the airlines subject to the Unified Capital Charge on any terminal improvements prior to the commencement of such construction and shall make terminal improvements at the Airport fairly and without unjust discrimination throughout the Airport.

2.1.1.1.3. Upon adopting a Unified Capital Charge, the Landlord will evaluate all costs related to the Terminal 6 Renovations for inclusion in such Unified Capital Charge.

2.1.1.2. Construction Base Rent. From the Lease Commencement Date to the Rent Commencement Date (the "Construction Period"), the Tenant shall pay Construction Base Rent each calendar month during such period in the amount of Three Hundred Forty-Nine Thousand One Hundred Sixty-Five Dollars and Twenty-Nine Cents (\$349,165.29) per month; *provided, however*, that if the Construction Period is less than 12 months, the difference between (i) Four Million One Hundred Eighty-Nine Thousand Nine Hundred Eighty-Four Dollars (\$4,189,984) and (ii) the Construction Base Rent paid and received by the Landlord as of the Rent Commencement Date, shall be due on the Rent Commencement Date as the last Construction Base Rent payment. For example, if the Construction Period is only five (5) months and the Tenant has only paid One Million Seven Hundred Forty-Five Thousand Eight Hundred Twenty-Six Dollars and Forty Cents (\$1,745,826.40) in Construction Base Rent as of the Rent Commencement Date, the Tenant shall pay Two Million Four Hundred Forty-Four Thousand One Hundred Fifty-Seven Dollars and Sixty Cents (\$2,444,157.60) on the Rent Commencement Base Rent as the last Construction Base Rent payment. The Construction Base Rent charge includes the charge for the use of all premises required for the construction of the Terminal 6 Renovations.

2.1.1.3. From the Rent Commencement Date to the end of the Term, the Tenant shall be subject to and shall pay as Base Rent the Rental Rate (or its equivalent) calculated pursuant to the methodology described in Schedule 4.

2.1.1.4. Usable Area Calculation. Notwithstanding Sections 2.1.1.2 and 2.1.1.3 above, the Landlord and the Tenant agree that the Tenant's Base Rent for purposes of Sections 2.1.1.2 and 2.1.1.3 shall be based on the Tenant's Usable Area, rather than the Tenant's Rentable Area, until such time as the airlines subject to the Tariff are both (i) charged on a Measured Area basis and (ii) are not offered the opportunity through a letter agreement applicable to Tariff airlines to

be charged on a Usable Area basis, at which time this Section 2.1.1.4 shall not be applicable and the Landlord shall charge the Tenant on a Rentable Area basis. "Usable Area" shall mean collectively (i) Airline Exclusive Use Areas and (ii) Airline Joint Use Areas.

## 2.2. Base Rent Payments.

2.2.1. Monthly Installments. The Tenant will pay installments of Base Rent in advance on the first day of each calendar month during the Term, without notice or demand. If the Rent Commencement Date is a day other than the first day of a calendar month, the installment of Base Rent for that month shall be payable on the Rent Commencement Date. Base Rent for any partial calendar month during the Term shall be prorated according to the portion of the month occurring during the Term, based on the actual number of calendar days in the portion of the month and the number of calendar days in the entire month.

2.2.2. Estimated Payment of Base Rent.<sup>1</sup> The Landlord will from time to time estimate in advance the actual Base Rent for the then current or next Lease Year. Upon the Landlord's delivery to the Tenant of a notice of the Landlord's estimate and until the Landlord's delivery to the Tenant of a revised estimate, the Tenant will pay to the Landlord in monthly installments, on the first day of each calendar month, without further notice or demand, such amounts as the Landlord may from time to time in good faith estimate to be the equal monthly installments necessary to pay the Base Rent for the then current Lease Year. For any Lease Year for which the Tenant shall have paid estimated installments of Base Rent, the Landlord will deliver to the Tenant within 150 days after the end of the Lease Year, or within such longer period as the Landlord reasonably requires, a reasonably detailed statement (the "Base Rent Reconciliation Statement") specifying the Landlord's calculation of Base Rent for the Lease Year. If the Tenant's payments of installments of estimated Base Rent for the Lease Year shall exceed the Base Rent actually owing for the Lease Year, the Landlord will, so long as no Event of Default has occurred and is continuing, promptly, at the Landlord's election, (a) if at least one year remains in the Term, credit the account of the Tenant with the amount of the excess, for application to amounts of Base Rent and additional rent as such amounts become due, or (b) reimburse the Tenant in the amount of the excess, together with interest at the Reimbursement Rate upon the excess payments from the dates of payment to the date of reimbursement, provided that interest on the excess need not be paid if the amount of the excess is reimbursed within 30 days of the Landlord's delivery of the Base Rent Reconciliation Statement. If the Tenant's payments of installments of estimated Base Rent for the Lease Year shall be less than the Base Rent actually owing for the Lease Year, the Tenant will pay the Landlord the amount of the deficiency within 30 days of receiving the Base Rent Reconciliation Statement, together with interest at the Reimbursement Rate upon the amount of the deficiency from the dates incurred to the date of payment, provided that interest on the deficiency need not be paid if the amount of the deficiency is reimbursed within 30 days of the delivery of the Base Rent Reconciliation Statement.

## 2.3. Terminal Expenses Additional Rent.

---

<sup>1</sup> Section 2.2.2 is not applicable once the Unified Capital Charge is adopted.

### 2.3.1. Calculation.

2.3.1.1. The Tenant will pay to the Landlord as additional rent (a) the Tenant's Use Share of the Terminal Expenses for each calendar month during the Term (the amount payable by the Tenant described in this clause (a) being referred to as "Terminal Regular Expenses Additional Rent"), (b) the Tenant's Special Use Share of the Terminal Special Expenses for each calendar month during the term (the amount payable by the Tenant described in this clause (b) being referred to as the "Terminal Special Expenses Additional Rent"); the Terminal Regular Expenses Additional Rent and the Terminal Special Expenses Additional Rent are referred to collectively as the "Terminal Expenses Additional Rent"). Terminal Expenses Additional Rent shall be calculated separately for each calendar month of the Lease Year and shall be payable by the Tenant within 30 days after a statement of Terminal Expenses for the month is delivered to the Tenant. Terminal Expenses Additional Rent for any partial calendar month during the Term shall be prorated according to the portion of the month occurring during the Term, based on the actual number of calendar days in the portion of the month and the number of calendar days in the entire month. The methodology of calculating maintenance and operation expenses under this Section 2.3.1.1 (and referred to as the Terminal Expenses and the Terminal Special Expenses) is the methodology that is, as of the execution date of this Lease, the methodology used in the Tariff. The Tariff contains the terms and conditions applicable to all airlines using terminal space at the Airport that do not have a lease. The Tenant acknowledges that the Tariff may be amended from time to time, including, but not limited to, the amendment of the methodology for calculating maintenance and operation expenses, including the definitions associated with the calculation of maintenance and operation expenses. Upon the amendment of the methodology for calculating maintenance and operation expenses under the Tariff, the Tenant acknowledges and agrees to be subject to such new methodology for calculating maintenance and operation expenses and agrees that such new methodology as described and defined under the Tariff shall be incorporated into this Lease by reference and this Section 2.3.1.1 shall be deemed amended without the need for any further action. In addition to the Tenant's audit right pursuant to Section 2.7.2, the Landlord agrees to consult with the Tenant before adopting a replacement methodology for calculating maintenance and operation expenses and to provide the Tenant with 15 days to comment on such replacement methodology.

### 2.3.1.2. Adjustment to Terminal Expenses Additional Rent.

A. Notwithstanding Section 2.3.1.1, the Landlord and the Tenant agree that the Terminal Expenses Additional Rent shall be calculated based on prior fiscal year's actual costs accrued by the Landlord calculated in the same manner as set forth in Section 2.3.1.1, except as modified by this section and by Section 2.3.1.2.B below. For example, calendar year 2013 (January 1, 2013 to December 1, 2013) Terminal Expenses Additional Rent will be calculated based on fiscal year

2012 (July 1, 2011 to June 30, 2012) actual costs accrued by the Landlord; provided, however, that upon the amendment of the methodology for calculating maintenance and operation expenses under the Tariff, the Tenant acknowledges and agrees to be subject to such new methodology for calculating maintenance and operation expenses and this Section 2.3.1.2.A shall be null and void, with no further effect.

B. Usable Area Calculation. Notwithstanding Section 2.3.1.1, the Landlord and the Tenant agree that the Tenant's Terminal Expenses Additional Rent shall be based on the Tenant's Usable Area, rather than the Tenant's Rentable Area, until such time as the airlines subject to the Tariff are both (i) charged on a Measured Area basis and (ii) are not offered the opportunity through a letter agreement applicable to Tariff airlines to be charged on a Usable Area basis, at which time this Section 2.3.1.2 shall not be applicable and the Landlord shall charge the Tenant on a Rentable Area basis.

#### 2.4. Airport Infrastructure Additional Rent.<sup>2</sup>

2.4.1. Calculation. The Tenant will pay to the Landlord as additional rent the Tenant's Use Share of the Airport Infrastructure Charges for each calendar month during the Term (the amount payable by the Tenant being referred to as "Airport Infrastructure Additional Rent"). Airport Infrastructure Additional Rent shall be calculated separately for each calendar month of the Lease Year and shall be payable by the Tenant within 30 days after a statement of Airport Infrastructure Charges for the month is delivered to the Tenant. Airport Infrastructure Additional Rent for any partial calendar month during the Term shall be prorated according to the portion of the month occurring during the Term, based on the actual number of calendar days in the portion of the month and the number of calendar days in the entire month.

2.4.2. Estimated Payments. In the alternative at the election of the Landlord, the Landlord may estimate from time to time in advance the actual Airport Infrastructure Charges for the then current or next Lease Year. Upon the Landlord's delivery to the Tenant of a notice of the Landlord's election and until the election shall be rescinded by the Landlord, the Tenant will pay to the Landlord in monthly installments, on the same dates as installments of Base Rent are payable, such amounts as the Landlord may from time to time in good faith estimate to be the equal monthly installments necessary to pay the Airport Infrastructure Additional Rent for the then current Lease Year. For any Lease Year for which the Tenant shall have paid estimated installments of Airport Infrastructure Additional Rent, the Landlord will deliver to the Tenant within 150 days after the end of the Lease Year, or within such longer period as the Landlord reasonably requires, a reasonably detailed statement (the "Airport Infrastructure Additional Rent Reconciliation Statement") specifying the actual Airport Infrastructure Charges incurred by the Landlord for such Lease Year and the aggregate amount of Airport Infrastructure Additional Rent paid by the Tenant for such Lease Year. If the Tenant's payments of installments of estimated Airport Infrastructure Additional Rent for the Lease Year shall exceed the Airport

---

<sup>2</sup> Section 2.4 is not applicable once the Unified Capital Charge is adopted.

Infrastructure Additional Rent actually owing for the Lease Year, the Landlord will, so long as no Event of Default has occurred and is continuing, promptly, at the Landlord's election, (a) if at least one year remains in the Term, credit the account of the Tenant with the amount of the excess, for application to amounts of Base Rent and additional rent as such amounts become due, or (b) reimburse the Tenant in the amount of the excess, together with interest at the Reimbursement Rate upon the excess payments from the dates of payment to the date of reimbursement, provided that interest on the excess need not be paid if the amount of the excess is reimbursed within 30 days of the Landlord's delivery of the Airport Infrastructure Additional Rent Reconciliation Statement. If the Tenant's payments of installments of estimated Airport Infrastructure Additional Rent for the Lease Year shall be less than the Airport Infrastructure Additional Rent actually owing for the Lease Year, the Tenant will pay the Landlord the amount of the deficiency within 30 days of receiving the Airport Infrastructure Additional Rent Reconciliation Statement, together with interest at the Reimbursement Rate upon the amount of the deficiency from the dates incurred to the date of payment, provided that interest on the deficiency need not be paid if the amount of the deficiency is reimbursed within 30 days of the delivery of the Airport Infrastructure Additional Rent Reconciliation Statement.

2.5. Percentage Rent. Except as set forth in this Section 2.5, the Tenant will not sell any goods (including food and beverages) and services (other than air transport services, which includes day and annual passes for VIP lounges) to the Tenant's passengers and invitees without the prior written consent of the Landlord, which consent may be withheld in the discretion of the Landlord. Upon prior written approval by the Landlord, for each calendar month during the Term, the Tenant will pay to the Landlord, as additional rent, a percentage of the Tenant's gross receipts, if any, from the sale by the Tenant at the Terminal of goods (including food and beverages) and services (other than air transport services) to the Tenant's passengers and invitees (the additional rent payable is referred to as the "Percentage Rent"). The percentage of the gross receipts to be used in calculating the Percentage Rent payable by the Tenant for any calendar month will be the same as the highest percentage rates then being paid to the Landlord by concessionaires selling similar goods or services in the terminal buildings at the Airport. The Tenant will pay installments of Percentage Rent on the same dates as installments of Base Rent are payable, with the amount of each installment of Percentage Rent being calculated based on the Tenant's gross receipts from sales for the last month for which the Tenant's records of sales are complete, but in any event not further in arrears than the second complete month prior to the date on which the installment of Base Rent is due. After the expiration or termination of the Term, the Tenant will continue to pay installments of Percentage Rent for the calendar months falling within the Term and for which payments have not been made during the Term.

2.6. Other Charges.

2.6.1. The Landlord and the Tenant may from time to time agree upon the installation for the Tenant's use at the Terminal of special equipment that is not generally available to all of the Airline Users or for the provision of services to the Tenant that are not generally provided to all of the Airline Users, in which case, the Landlord and the Tenant (and any other Airline Users by which the equipment or services will be used) will enter into a separate agreement allocating the cost associated with the equipment or services. In the absence of such a separate agreement, the Tenant will pay for the use of the equipment or services the assessments, fees and charges as shall be set by the

Landlord and generally applicable to similarly situated airline tenants at the Airport. Any costs payable by the Tenant in connection with such a separate agreement (or in the absence of such a separate agreement, the assessments, fees and charges set by the Landlord) shall be deemed additional rent payable under this Lease.

2.6.2. Fees for Use of the International Joint Use Areas in the Terminal.

2.6.2.1. During the Term, the Tenant agrees (i) to be subject to the fees (the "T6/7 FIS Fees") for the use of the International Joint Use Areas to the extent of such use, and (ii) that the Landlord shall base the T6/7 FIS Fees for the use of the International Joint Use Areas in the Terminal, also known as the FIS facilities, on one of the following options (or on another option mutually agreed to by the Landlord and the Tenant):

A. FIS fee(s) from another FIS facility (or facilities) at the Airport;

B. FIS fee(s) reasonably comparable to those FIS fee(s) charged to airlines for processing passengers in the Tom Bradley International Terminal ("TBIT") at the Airport;

C. The combined costs of all FIS facilities at the Airport spread over all passengers who use FIS facilities, regardless of location (i.e., the imposition of an "equalized" or market rate); or

D. The cost of providing FIS facilities in the Terminal spread over a past average monthly peak throughput of passengers using FIS facilities in the Terminal (e.g., the highest six month average of FIS passengers in the Terminal during the past five (5) years to determine the highest monthly throughput of FIS passengers in the Terminal).

The Landlord shall determine, in its sole discretion, which option among the above options to use, and the Tenant agrees that it will not contest or challenge, in any forum, any or all of these foregoing options in this Section 2.6.2 as being either unreasonable, unjustly discriminatory, or otherwise.

Notwithstanding the option chosen by the Landlord, in its sole discretion, in no event shall the T6/7 FIS Fees at any time during such period exceed the highest fee charged at any other FIS facility at the Airport.

2.6.2.2. During the Term, the Landlord shall give reasonable consideration to the Tenant's international arriving passenger process so as to minimize the need for bussing to an FIS facility as a result of FIS closures caused by the Landlord or as part of any Landlord FIS consolidation plan. The Tenant acknowledges that this Section 2.6.2.2 only involves situations that are within the Landlord's reasonable control and does not include closures or FIS facility consolidation resulting from decisions by the Federal Government.

2.6.3. Lease of Baggage Handling Systems.

2.6.3.1. Existing Baggage System.

(i) On July 1, 2011, the Landlord shall lease to the Tenant and the Tenant shall rent from the Landlord the existing outbound and inbound baggage handling systems (the "Existing Baggage Systems") in the Terminal.

(ii) During the Construction Period, the Tenant shall be entitled to charge (such charge, the "Existing Baggage Systems Maintenance Charge") the Landlord for the Tenant's total direct costs for the maintenance of the Existing Baggage Systems, excluding any Construction Base Rent. The Existing Baggage Systems Maintenance Charge shall not exceed the Landlord's current cost of maintaining the Existing Baggage Systems. The Landlord shall pay for such Existing Baggage Systems Maintenance Charge in the form of a rental credit towards this Lease in the amount of the Existing Baggage Systems Maintenance Charge.

2.6.3.2. New Baggage Systems.

(i) It is contemplated that the Tenant will be constructing (i) an Inline Baggage System and (ii) an inbound baggage system and an outbound baggage make-up system ((ii) the "Inbound/Outbound Baggage System", and together with the Inline Baggage System, the "New Baggage Systems") in the Terminal that will replace the Existing Baggage Systems. The Existing Baggage Systems and the New Baggage Systems together are called the "Baggage Handling Systems". Following construction of the New Baggage Systems, a description of the New Baggage Systems shall be attached to this Lease by the Executive Director as Exhibit A-1, subject to City Attorney approval as to form.

(ii) During the Construction Period, the Tenant shall be entitled to charge (such charge, the "New Baggage Systems Maintenance Charge") the Landlord for the Tenant's actual direct costs incurred for the maintenance of the New Baggage Systems, excluding any Construction Base Rent. The Tenant shall provide copies of invoices of such direct costs when requested by the Landlord. The Landlord shall pay for such New Baggage Systems Maintenance Charge in the form of a rental credit towards this Lease in the amount of the New Baggage Systems Maintenance Charge.

2.6.3.3. Baggage Handling Systems Rent. After the Construction Period, the Landlord shall also lease to the Tenant and the Tenant shall rent from the Landlord, the New Baggage Systems. The rent for the Baggage Handling

Systems shall be additional rent under this Lease (the "Baggage Handling Systems Additional Rent"), which rent shall only be charged after the Construction Period. The Baggage Handling Systems Additional Rent shall be calculated based on the T6 Airline Renovations Component Acquisition Cost allocable to the Baggage Handling Systems as such components are purchased by the Landlord pursuant to Section 1.3.3.4, amortized over the remaining useful life of the Baggage Handling Systems, as determined by the Landlord, using an imputed capital rate consistent with the Landlord's cost of capital for assets having a similar useful life as the Baggage Handling Systems.<sup>3</sup> The Landlord shall start charging and the Tenant shall start paying for the Baggage Handling Systems Additional Rent on the Rent Commencement Date. Following construction of the New Baggage Systems, the Tenant and the Executive Director, on behalf of the Landlord, subject to approval as to form by the City Attorney, shall revise Schedule 4 to reflect the calculation of the final Baggage Handling Systems Additional Rent amount. Notwithstanding the foregoing, the Landlord may elect to include some or all of the Baggage Handling Systems Additional Rent in the Unified Capital Charge in which case the Executive Director, subject to approval as to form by the City Attorney, and the Tenant shall amend Schedule 4 to reflect such change.

2.6.3.4. During the Term, the Tenant shall be responsible for operating and maintaining the Baggage Handling Systems in the Terminal, including, but not limited to, the baggage conveyor components and carousels, the mechanical, plumbing, electrical, structural, telecommunications infrastructure, and the computer hardware and software required to support the baggage sortation system and checked baggage inspection system screening matrix, in good working order and in good and safe condition on behalf of all Airline Users in the Terminal. If the Tenant fails to operate the Baggage Handling Systems in a reasonable and nondiscriminatory manner, then the Executive Director, without further action of the Board or City Council, and following 90 days notice to the Tenant, shall have the right to terminate under this Section hereof and the lease of the Baggage Handling Systems.

2.6.3.5. Use of Baggage Handling Systems by Other Airlines.

(i) Commencing on the Rent Commencement Date, the Tenant shall be entitled to charge other airlines using the Baggage Handling Systems on a monthly basis, for their reasonable share of the Tenant's total direct costs which are substantially related to the Baggage Handling Systems, excluding any costs to construct any portion of the Baggage

---

<sup>3</sup> For clarification, if as of the Rent Commencement Date, if only 1 of the 2 components of the Baggage Handling Systems has been purchased by the Landlord, the Baggage Handling Systems Additional Rent as of the Rent Commencement Date shall be calculated based on the component that has been purchased by the Landlord. The 2<sup>nd</sup> component shall be included in the Baggage Handling Systems Additional Rent when the Landlord purchases the 2<sup>nd</sup> component.

Handling Systems, using standard and accepted accounting principles, together with a not-to-exceed fifteen percent (15%) administrative charge. Charges to other airlines that are equal to or less than 125% of the Tenant's average cost should not be deemed unreasonable. The Executive Director shall have the right to periodically audit the Tenant's books and records, upon reasonable notice, with respect to the computation of the Tenant's charges to the other airline for the use of the Baggage Handling Systems. The Executive Director shall have the right to approve the form and content of the Tenant's agreements relating to the use by another airline of the Baggage Handling Systems, which approval shall not be unreasonably withheld or denied.

(ii) The Tenant shall have the right to collect a security deposit in advance from the other airlines using the Baggage Handling Systems. Such security deposit shall not exceed the reasonably estimated charges for three (3) months.

2.6.3.6. Tenant may, with the prior written approval of the Executive Director, which approval shall not be unreasonably withheld, enter into written subcontracts for the operation and maintenance of the Baggage Handling Systems, including the billing and collection of costs from other airlines; provided, however, that Tenant shall remain solely responsible to Landlord for the quality and performance of such operations. Further, Tenant shall cause such subcontractors to (i) maintain insurance, with such endorsements as Landlord may request, (ii) provide appropriate indemnities on behalf of Landlord as requested by Landlord, and (iii) comply with all applicable Legal Requirements.

#### 2.6.4. Lease of the Common Use Systems.

2.6.4.1. As part of the Terminal 6 Renovations, it is contemplated that Tenant will be constructing certain common use passenger systems such as a common use processing system, a flight information display system, a paging system and wireless network in the Terminal, including, but not limited to, the display devices, workstations, microphone stations, speakers, the electrical and telecommunications infrastructure, and the computer hardware and software required to support the systems (collectively, the "Common Use Systems"). Following the purchase by the Landlord of the Common Use Systems (as part of the T6 Airline Renovations), the Landlord shall lease to the Tenant and the Tenant shall rent from the Landlord, the Common Use Systems. Following construction of the Common Use Systems, a description of the Common Use Systems shall be attached to this Lease by the Executive Director as Exhibit A-1, subject to City Attorney approval as to form. The rent for the Common Use Systems shall be additional rent under this Lease (the "Common Use Systems Additional Rent"). The Common Use Systems Additional Rent shall be calculated based on the portions of the T6 Airline Renovations Component Acquisition Cost and the T6 Airline Renovations Acquisition Cost allocable to the Common Use Systems amortized over the remaining useful life of the Common Use Systems, as

determined by the Landlord, using an imputed capital rate consistent with the Landlord's cost of capital for assets having a similar useful life as the Common Use Systems. The Landlord shall start charging and the Tenant shall start paying for the Common Use Systems Additional Rent on the first day of the month following the date of purchase of the Common Use Systems by the Landlord (the "Common Use Systems Rent Commencement Date"). Following construction of the Common Use Systems, the Tenant and the Executive Director, on behalf of the Landlord, subject to approval as to form by the City Attorney, shall revise Schedule 4 to reflect the calculation of the final Common Use Systems Additional Rent amount.

2.6.4.2. During the Term, the Tenant shall be responsible for operating and maintaining the Common Use Systems in good working order and in good and safe condition on behalf of all Airline Users in the Terminal. If the Tenant fails to operate the Common Use Systems in a reasonable and nondiscriminatory manner, then the Executive Director, without further action of the Board or City Council, and following 90 days notice to the Tenant, shall have the right to terminate the lease under this Section of the Common Use Systems.

2.6.4.3. Commencing on the Common Use Systems Rent Commencement Date or the date that the Common Use Systems become operational (whichever is earlier), the Tenant shall be entitled to charge other airlines using the Common Use Systems on a monthly basis, for their reasonable share of the Tenant's total direct costs which are substantially related to the Common Use Systems, using standard and accepted accounting principles, together with a not-to-exceed fifteen percent (15%) administrative charge. Charges to other airlines that are equal to or less than 125% of the Tenant's average cost should not be deemed unreasonable. The Executive Director shall have the right to periodically audit the Tenant's books and records, upon reasonable notice, with respect to the computation of the Tenant's charges to the other airlines for the use of the Common Use Systems. The Executive Director shall have the right to approve the form and content of the Tenant's agreements relating to the use by another airline of the Common Use Systems, which approval shall not be unreasonably withheld or denied.

2.6.4.4. The Tenant shall have the right to collect a security deposit in advance from the other airlines using the Common Use Systems. Such security deposit shall not exceed the reasonably estimated charges for three (3) months.

2.6.4.5. Tenant may, with the prior written approval of the Executive Director, which approval shall not be unreasonably withheld, enter into written subcontracts for the operation and maintenance of the Common Use Systems, including the billing and collection of costs from other airlines; provided, however, that Tenant shall remain solely responsible to Landlord for the quality and performance of such operations. Further, Tenant shall cause such subcontractors to (1) maintain insurance, with such endorsements as Landlord may

request, (ii) provide appropriate indemnities on behalf of Landlord as requested by Landlord, and (iii) comply with all applicable Legal Requirements.

2.6.5. Lease of the Passenger Boarding Bridges.

2.6.5.1. Existing Passenger Boarding Bridges and Related Equipment.

(i) On October 1, 2011, the Landlord shall lease to the Tenant and the Tenant shall rent from the Landlord, the existing passenger boarding bridges (the "Existing Bridges") and related equipment (the "Existing Related Equipment") at Gate Nos. 64, 65, 66, 67A, 67B and 69A.

(ii) During the Construction Period, the Tenant shall be entitled to charge the Landlord (such charge, the "Existing Bridges Maintenance Charge") for the Tenant's total direct costs for the maintenance of the Existing Bridges. The Existing Bridges Maintenance Charge shall not exceed the Landlord's current cost of maintaining the Existing Bridges. The Landlord shall pay for such Existing Bridges Maintenance Charge in the form of a rental credit towards this Lease in the amount of the Existing Bridges Maintenance Charge.

2.6.5.2. Refurbished/Replacement Boarding Bridges and Related Equipment. As part of the Terminal 6 Renovations, it is contemplated that the Tenant will be refurbishing or replacing the Existing Bridges as indicated in Schedule 1 - Attachment C (such refurbished or replaced Existing Bridges, the "New Boarding Bridges") and installing aircraft support equipment (e.g., pre-conditioned air devices and 400HZ equipment)(such aircraft support equipment, the "New Related Equipment" and together with the Existing Related Equipment, the "T6 Related Equipment"). The Existing Bridges together with the New Boarding Bridges are collectively called the "Boarding Bridges".

2.6.5.3. Boarding Bridges Rent. After the Construction Period, the Landlord shall also lease to the Tenant and the Tenant shall rent from the Landlord, the New Boarding Bridges. The rent for the Boarding Bridges shall be additional rent under this Lease (the "Boarding Bridges Additional Rent"). The Boarding Bridges Additional Rent shall be calculated annually based on the market value of the Boarding Bridges prior to being refurbished, as determined by an independent appraisal, plus the portion of the T6 Airline Renovations Component Acquisition Cost allocable to the Boarding Bridges as such components are purchased by the Landlord pursuant to Section 1.3.3.4, amortized over the remaining useful life of the Boarding Bridges, as determined by the Landlord, using an imputed capital rate consistent with the Landlord's cost of

capital for assets having a similar useful life as the Boarding Bridges.<sup>4</sup> Following purchase by the Landlord of the Boarding Bridges pursuant to Section 1.3.3.4, the Tenant and the Executive Director, on behalf of the Landlord, subject to approval as to form by the City Attorney, shall revise Schedule 4 to reflect the calculation of the final Boarding Bridges Additional Rent amount.

2.6.5.4. T6 Related Equipment. After the Construction Period, the Landlord also shall lease to the Tenant and the Tenant shall rent from the Landlord the New Related Equipment. The rent for the T6 Related Equipment shall be additional rent under this Lease (the "Related Equipment Additional Rent"). The Related Equipment Additional Rent shall be calculated based on the portion of the T6 Airline Renovations Component Acquisition Cost allocable to the T6 Related Equipment as such components are purchased by the Landlord pursuant to Section 1.3.3.4, amortized over the remaining useful life of the T6 Related Equipment, as determined by the Landlord, using an imputed capital rate consistent with the Landlord's cost of capital for assets having a similar useful life as the T6 Related Equipment.<sup>5</sup> Upon the purchase by the Landlord of all of the New Related Equipment pursuant to Section 1.3.3.4, the Tenant and the Executive Director, on behalf of the Landlord, subject to approval as to form by the City Attorney, shall revise Schedule 4 to reflect the calculation of the final T6 Related Equipment Additional Rent amount. The Landlord reserves the right to calculate the Boarding Bridges Additional Rent and the Related Equipment Additional Rent on a unified or combined basis in multiple terminals or Airport-wide, based on the Landlord's aggregate costs over multiple terminals or Airport-wide, as applicable, of boarding bridges and/or related equipment, using a calculation methodology consistent with the approach described herein.

## 2.7. Full Cost Recovery; Books and Records; Annual Consultation.

2.7.1. Full Cost Recovery Method. The Tenant acknowledges that the Landlord's policy in setting the economic terms for leases of space at the Airport is to require the payment by tenants of base rents (including rents for shared use areas) that compensate the Landlord for its equity interest in land, buildings and equipment at the Terminal on the basis of the Market Method or the Terminal Capital Charges Method (whichever results in the greater

---

<sup>4</sup> For clarification, if as of the Rent Commencement Date, if only 1 of the 2 components of the Boarding Bridges has been purchased by the Landlord, the Boarding Bridges Additional Rent as of the Rent Commencement Date shall be calculated based on the component that has been purchased by the Landlord. The 2<sup>nd</sup> component shall be included in the Boarding Bridges Additional Rent when the Landlord purchases the 2<sup>nd</sup> component.

<sup>5</sup> For clarification, if as of the Rent Commencement Date, if only 1 of the 2 components of the New Related Equipment has been purchased by the Landlord, the Related Equipment Additional Rent as of the Rent Commencement Date shall be calculated based on the portion that has been purchased by the Landlord. The 2<sup>nd</sup> component shall be included in the Related Equipment Additional Rent when the Landlord purchases the 2<sup>nd</sup> component.

rent), and to fully recover from tenants their allocable shares of all of the Landlord's costs incurred in constructing, improving, and operating the Airport and administering its operations, including all overhead expenses, all capital costs, and all of the other expenses referred to in the definitions of Terminal Expenses and Airport Infrastructure Charges. The Tenant also acknowledges that, in calculating Terminal Capital Charges, Terminal Expenses, and Airport Infrastructure Charges allocable to the Terminal, (a) a wide variety of methods of computation and allocation could be justified, (b) the appropriate methods of computation and allocation must periodically change in order to take into account changing requirements and circumstances at the Airport, and (c) it is burdensome for both the Landlord and the Tenant to negotiate and specify all of the potentially relevant methods of computation and allocation in complete detail both before the commencement of this Lease and from time to time during the Term. In calculating Terminal Expenses, Airport Infrastructure Charges, and Terminal Capital Charges, the Landlord shall therefore be entitled to use such methods of computation and allocation as the Landlord shall in its discretion from time to time adopt, provided only that (a) the Landlord shall in good faith believe the computation and allocation methods to be fair and reasonable and similarly affect similarly situated tenants of space at the Airport, and (b) any changes to the computation or allocation methods shall have been adopted only after the Tenant shall have been given notice of the proposed methods and a reasonable opportunity to consult with the Landlord before the adoption of the proposed changes. Summaries of the Landlord's current methods of computing and allocating Terminal Expenses, Airport Infrastructure Charges, and Terminal Capital Charges are attached to this Lease as, respectively, Exhibits B, C, and D.

2.7.2. Landlord's Records. The Landlord will keep books and records sufficient for the purpose of substantiating for auditing purposes all amounts of Terminal Expenses Additional Rent, Airport Infrastructure Additional Rent and the T6/7 FIS Fees. The Tenant may from time to time, but no more often than once during any calendar year, examine (and, in the course of the examination, may copy) and audit the Landlord's books and records for the purpose of verifying the amounts of Terminal Expenses Additional Rent, Airport Infrastructure Additional Rent and the T6/7 FIS Fees payable by the Tenant (whether or not already paid). The Tenant shall only be permitted to examine and audit the Landlord's books and records using a nationally recognized independent accounting firm or their own internal auditors. The expense of any such examination or audit shall be borne by the Tenant. The conduct of any examination or audit as provided in this Section 2.7.2 shall not affect the Tenant's obligations to pay all amounts due and payable in accordance with the provisions of this Lease. The Tenant will keep all information obtained from the Landlord's books and records confidential, and the Tenant will use good faith efforts to cause the Tenant's agents and employees to keep all information obtained from the Landlord's books and records confidential.

2.7.3. Tenant's Records. The Landlord's accurate calculation of the Tenant's Joint Use Share and the Tenant's T6/7 FIS Fees, and the Landlord's verification of the accurate payment of Percentage Rent, are dependent upon receiving from the Tenant timely and accurate information regarding the Tenant's operations, including the number of passengers using the Terminal to enplane onto or deplane from flights operated by the Tenant. The Tenant will promptly and periodically (but not less frequently than monthly) provide to the Landlord sufficient information about the Tenant's operations as the Landlord may find necessary or useful in calculating the Tenant's Joint Use Share, the Tenant's T6/7 FIS Fees, and the Percentage Rent, and the Tenant will keep books and records sufficient for the purpose of

substantiating the Tenant's operations information for auditing purposes. The Landlord may from time to time, but no more often than once during any calendar year, examine (and, in the course of such examination, may copy) and audit the Tenant's books and records for the purpose of verifying the Tenant's operations information. The expense of any such examination or audit shall be borne by the Landlord, provided that if the Tenant's books and records are not made available to the Landlord at a location within 50 miles from the Airport, the Tenant will reimburse the Landlord the reasonable out-of-pocket costs incurred by the Landlord in inspecting the Tenant's books and records, including travel, lodging and subsistence costs. Except as required by applicable law, the Landlord will keep all information obtained from the Tenant's books and records confidential, and the Landlord will use good faith efforts to cause the Landlord's agents and employees to keep all information obtained from the Tenant's books and records confidential. The Tenant shall retain all records and other information necessary to perform an audit as described above for a minimum of 5 years.

2.7.4. Annual Consultation. On at least one occasion during each complete Lease Year during the Term, the Landlord will attempt to arrange a meeting with representatives of the Tenant for the purpose of discussing matters relating to the financial aspects of this Lease. At the request of the Landlord or the Tenant, the meeting will include representatives of the other Airline Users.

2.8. Other Sums Deemed Additional Rent. Any sum of money payable by the Tenant to the Landlord under any provision of this Lease, except for Base Rent, shall be deemed additional rent.

2.9. Late Charges. If the Tenant shall fail to pay any installment of Base Rent or any amount of additional rent within five days after it becomes due, the Tenant will pay to the Landlord, in addition to the installment of Base Rent or amount of additional rent, as the case may be, as additional rent, a sum equal to interest at the Stipulated Rate on the unpaid overdue amount, computed from the date the payment was due to and including the date of payment. If the Tenant shall fail to pay any installment of Base Rent within five days after it becomes due, in addition to interest at the Stipulated Rate, the Tenant will pay to the Landlord a late charge in the amount of two percent (the "Base Rent Late Charge") of the amount of the delinquent installment of Base Rent. If the Tenant shall fail to pay any additional rent within ten days after it becomes due, in addition to interest at the Stipulated Rate, the Tenant will pay to the Landlord a late charge in the amount of five percent (the "Additional Rent Late Charge") of the delinquent additional rent. No Additional Rent Late Charge shall be payable for any item of additional rent that constitutes a late charge or interest. The Tenant acknowledges that the Base Rent Late Charge and the Additional Rent Late Charge are intended to reasonably compensate the Landlord for additional expenses incurred by the Landlord by reason of the Tenant's failure to timely pay Base Rent and additional rent, which expenses are difficult to ascertain, and are not intended to be in the nature of a penalty.

2.10. No Counterclaim, Abatement, etc. Except as expressly provided to the contrary in this Lease, the Tenant will pay the Base Rent and all additional rent payable under this Lease without notice, demand, counterclaim, setoff, deduction, defense, abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of the Tenant under this Lease shall in no way be released, discharged or otherwise affected for any reason, whether

foreseen or unforeseen. The Tenant waives, to the extent permitted by applicable law, all rights now or hereafter conferred by statute or otherwise to quit, terminate or surrender this Lease or the Demised Premises or any part thereof, or to any abatement, suspension, deferment, diminution or reduction of Base Rent and all additional rent payable by the Tenant hereunder. To the extent permitted by applicable law, all payments by the Tenant to the Landlord made hereunder shall be final, and the Tenant will not seek to recover any such payment or any part thereof for any reason. In the event of any dispute regarding the amount of Base Rent or any amount of additional rent payable under this Lease, (a) the Landlord's computation of the amounts due shall be presumed correct, and the Tenant will continue to pay the amounts due as computed by the Landlord unless the Tenant shall have obtained a final, unappealable order to the contrary from a court of competent jurisdiction, and (b) to the extent permitted by applicable law, the Tenant waives any right to seek or obtain any provisional remedy before obtaining such a final order. If it is determined by a final, unappealable order of a court of competent jurisdiction that the Tenant was not obligated to pay any amount disputed by the Tenant but nevertheless paid by the Tenant under protest, the Landlord will refund to the Tenant the amount of any excess payments, together with interest on the amounts refunded from the time of their payment to the Landlord until the time of refund, at an annual rate per annum equal to the Reimbursement Rate.

2.11. No Waiver; Retroactive Payments. The failure by the Landlord to timely comply with the provisions of this Section 2 relating to the adjustment of the Base Rent or any item of additional rent shall not be construed as a waiver of the Landlord's right to the adjustment of the Base Rent or to the adjustment of any additional rent. If a determination of the adjusted Base Rent is not completed before the relevant Valuation Adjustment Date or if a determination of the adjustment of any item of additional rent is not completed before any relevant date, the Tenant will continue to pay the amounts applicable to the preceding period, and if the Base Rent as of the relevant Valuation Adjustment Date or any item of additional rent as of any relevant date is thereafter determined to be an amount greater than that paid by the Tenant, the adjusted amount shall take effect, and shall promptly be paid by the Tenant, retroactively to the date when the payment would have been due absent the failure to timely complete the determination of the appropriate adjustment. If the Landlord has substantially complied with the provisions of this Section 2 relating to the adjustment, the Landlord shall be entitled to receive, in addition to all amounts of additional Base Rent and additional rent becoming retroactively effective, interest on the retroactive amounts from the date the Board adopts the applicable adjustment retroactively due, and the Tenant is notified, in writing, of such retroactive adjustment, until the date of payment to the Landlord, at an annual rate per annum equal to the Reimbursement Rate.

2.12. Manner of Payment. All payments of Base Rent and other amounts payable under the preceding provisions of this Section 2 shall be paid in U.S. dollars without setoff or deduction by mailing to the following address:

City of Los Angeles  
Department of Airports  
Accounts Receivable  
Los Angeles, California 90074-4989

The Landlord may from time to time designate any other address to which the payments shall be made. As a matter of courtesy, invoices may be sent by the Landlord to the Tenant, but notwithstanding any custom of the Landlord in sending invoices, the receipt of an invoice shall not be a condition to any payment due to the Landlord from the Tenant. All payments, including each payment check and remittance advice, shall include the contract number assigned to this Lease by the Landlord, which is stamped on the first page of this Lease (but failure to do so shall not constitute a default by the Tenant under this Lease). No payment by the Tenant or receipt by the Landlord of a portion of any sum due under this Lease shall be deemed to be other than a partial payment on account of the earliest sum next due from the Tenant. No endorsement or statement on any check or any letter accompanying a check or other payment from the Tenant shall be deemed an accord and satisfaction, and the Landlord may accept the check or other payment, and pursue any other remedy available under this Lease. The Landlord may accept any partial payment from the Tenant without invalidation of any notice required to be given under this Lease and without invalidation of any notice required to be given under the provisions of California Code of Civil Procedure Section 1161, *et seq.*

3. Use.

3.1. Permitted Uses. The Tenant may, subject to any applicable Legal Requirements and to all other applicable Legal Requirements provisions of this Lease, use and occupy the Tenant Areas only for the uses reflected on the Basic Information Schedule as the "Permitted Uses".

3.2. Prohibited Uses. Notwithstanding anything in Section 3.1 to the contrary, without the prior consent of the Landlord the Tenant will not use or occupy, or permit any portion of the Tenant Areas to be used or occupied for any use not specifically permitted.

3.3. Other Use Limitations. The Tenant will conduct its operations at the Tenant Areas in such a manner as to reduce as much as is reasonably practicable, considering the nature and extent of the Tenant's operations, any and all activities that interfere unreasonably (whether by reason of noise, vibration, air movement, fumes, odors or otherwise) with the use by any other Person of space in the Terminal or other facilities at the Airport. Without the prior consent of the Landlord, which consent shall not be unreasonably withheld, the Tenant will not install or use any wireless workstations, access control equipment, wireless internet servers, transceivers, modems or other hardware that transmit or otherwise access radio frequencies.

3.4. Apron Loading of Aircraft.

3.4.1. The loading or unload of the Tenant's passengers from the apron at Gate Nos. G64, G65, G66 or G67A is subject to the operational plan prepared by the Tenant that has been approved by the Executive Director (as may be amended by time to time, the "Loading Plan"). The Loading Plan approved by the Executive Director as of the Lease Commencement Date is attached as Exhibit M. The Tenant may not amend the Loading Plan until such time that the Executive Director has accepted such amendment to the Loading Plan, which acceptance shall not be unreasonably withheld. If applicable Legal Requirements for the loading and unloading of passengers from aprons requires the Tenant to make operational changes, the Tenant must amend the Loading Plan so that such changes are reflected in the Loading Plan.

3.4.2. The Tenant may not load or unload its passengers from the apron at Gate Nos. G67B and G69A.

3.4.3. Any violation by the Tenant at any Gate (as defined in Section 16) of its Loading Plan, Legal Requirement, or the Landlord's rules and regulations shall be subject to the temporary or permanent relinquishment of such Gate or all Gates in the Terminal.

#### 4. Alterations, etc.

4.1. Landlord's Consent. The Tenant may make alterations, installations, additions and improvements in and to the Tenant Areas (referred to as "Alterations") provided that the Tenant complies with the provisions of this Section 4 and, except as provided in Section 4.2, provided that the Tenant first obtain the Landlord's consent in accordance with Section 4.3.

4.2. Alterations not Requiring Consent. The Tenant may, without the Landlord's consent, make Alterations in the Demised Premises (but not in any of the other Tenant Areas) consisting of furniture, furnishings, painting, carpeting, wall coverings and other decorative changes.

4.3. Alterations Requiring Consent. If the Landlord's consent is required for any Alteration, the Tenant's initial request for the consent shall include reasonably detailed preliminary plans for the Alteration. If the Landlord shall approve the preliminary plans, the Tenant will prepare working drawings and specifications that are in all respect accurate reflections of the approved preliminary plans and will submit for approval to the Landlord two copies of the working drawings and one copy of the specifications. The Tenant will not commence work on the proposed Alteration until the Landlord shall have approved the working drawings and specifications, as well as (in the Landlord's reasonable discretion) the identity of the architects, engineers, contractors and major subcontractors who the Tenant proposes to construct the Alteration. No material modifications shall be made to the working drawings or specifications, or in the construction of the Alteration described by them, without the prior consent of the Landlord, which consent shall not be unreasonably withheld. The Tenant will pay to the Landlord, within 30 days after demand therefor, the Landlord's actual and reasonable out-of-pocket costs (as well as a reasonable allowance for the internal costs of the Landlord's use of its own employees) incurred in reviewing or considering any Alterations, and inspecting construction of the Alterations.

4.4. Performance of Alterations. Before the commencement of any Alteration, the Tenant will obtain and deliver to the Landlord (i) all required permits, (ii) insurance for the contractor for such coverages and in such amounts as may be reasonably acceptable to the Landlord, and (iii) surety bonds or other security in such amounts and otherwise reasonably satisfactory to the Landlord. All of the Tenant's Alterations shall be (i) effected at the Tenant's expense and promptly and fully paid for by the Tenant, (ii) performed with due diligence, in a good and workmanlike manner and in accordance with all Legal Requirements and Insurance Requirements, (iii) made under the supervision of a licensed architect or licensed professional engineer reasonably satisfactory to the Landlord, and (iv) performed without unreasonably interfering with (A) the use and occupation or conduct of the business of any other tenant or occupant of the Terminal, (B) any construction work being performed elsewhere in the Terminal by the Landlord or by any other tenant or occupant of the Terminal, or (C) ingress and egress to, in and from the Terminal or any other premises demised in the Terminal. In the course of effecting any Alterations the Tenant will use good faith efforts to minimize noise and dust and will keep the Tenant Areas, Terminal Common Areas, and Vertical Areas clean and neat. Upon completion of the Alteration, the Tenant will furnish to the Landlord, at no charge, two complete reproducible sets of record or as-built drawings of the Alterations, and one complete set in an electronic format that complies with the then current computer aided design standards of the Landlord. The drawings must include any applicable permit numbers, the structural and other improvements installed by the Tenant in the Tenant Areas, and the location and details of installation of all equipment, utility lines, heating, ventilating, and air-conditioning ducts and related matters. The Tenant will keep the record or as-built drawings current by updating them in order to reflect any changes or modifications that may later be made in or to the Tenant Areas. Within 120 days following the Completion of the Alteration, the Tenant will prepare and submit to the Landlord a construction report including the following information regarding the Alteration: (1) a description of the type of improvements constructed or altered, (2) the floor area or capacity of the improvements constructed or altered, (3) the total cost of the Alteration, (4) the completion date for the Alteration, and (5) a copy of the certificate of occupancy for the Alteration (or for the Tenant Areas, after giving effect to the Alteration). Without limiting the generality of the remedies available to the Landlord for any breach of this Lease under Section 14, if the Tenant shall fail to timely and completely perform its obligations under the immediately preceding sentence of this Section 4.4 and the failure shall continue for more than 5 days after the Tenant receives written notice from the Landlord of such failure, the Tenant will pay to the Landlord, as additional rent, a late charge equal to \$500 for each day for which the failure continues.

4.5. Ownership of Improvements and Alterations. Other than Tenant's Property, ownership of all improvements and equipment existing in the Tenant Areas on the Lease Commencement Date is and shall be in the Landlord. Ownership of all improvements, additions, alterations and equipment constructed or installed in the Tenant Areas at the Landlord's expense after the Lease Commencement Date shall be and remain in the Landlord. During the Term, the Tenant shall own all Alterations constructed or installed at the Tenant's expense unless the Tenant has transferred its ownership interests to the Landlord in which case the ownership of such Alterations shall be in the Landlord. Except as otherwise agreed to in the Settlement Agreement, upon the expiration or earlier termination of the Term, all Alterations, other than equipment, trade fixtures and similar installations that are removable without material damage to the Tenant Areas, shall become the property of the Landlord (without compensation to the

Tenant), unless the Landlord requests that the Tenant remove some or all of the equipment, trade fixtures, and similar installations, in which case the Tenant will promptly remove them at the Tenant's expense. All items of Tenant's Property remaining in the Tenant Areas or at the Terminal shall, if not removed by the Tenant within three Business Days following the end of the Term, be deemed abandoned and shall, at the Landlord's election (i) be disposed of in any manner selected by the Landlord, at the Tenant's expense, or (ii) become the property of the Landlord. The Tenant will promptly repair any damage to the Tenant Areas or the Terminal resulting from the removal of any items of Tenant's Property.

4.6. Notices of Non-Responsibility. In connection with any Alteration, the Landlord may post notices of non-responsibility for the services and material furnished by mechanics, materialmen and other vendors.

5. Maintenance and Repair.

5.1. Maintenance and Repair by Tenant.

5.1.1. At the Tenant's expense, and to the extent identified on the maintenance schedule attached to this Lease as Schedule 3, the Tenant will maintain the Demised Premises and will make all repairs to the Demised Premises and to all the fixtures, equipment and appurtenances therein as and when needed to preserve them in good working order and good and safe condition. Notwithstanding the foregoing, all damage to the Demised Premises and the fixtures, equipment and appurtenances therein, or the Terminal, in each case requiring structural repairs or requiring repairs that affect the Terminal systems, and all damage or injury to any Terminal system, caused by or resulting from the negligence of the Tenant, its servants, employees, agents, customers, invitees or licensees, shall be repaired by the Landlord, at the Tenant's expense, payable within 30 days after the Landlord's delivery of an invoice therefor. Without limiting the generality of the remedies available to the Landlord for any breach of this Lease under Section 14, if, in the reasonable determination of the Landlord, the Tenant shall have regularly failed to maintain equipment in the Tenant Areas, the Landlord may elect, upon notice to the Tenant, to maintain the neglected equipment (directly or through third-party contractors and at the Tenant's expense payable promptly after the Landlord's delivery of invoices therefor from time to time) for all or any portion of the remainder of the Term. All damage or injury to the Terminal, the Demised Premises or the fixtures, equipment and appurtenances therein or thereto caused by the Tenant's removal of furniture, fixtures or other property, shall be repaired to its condition existing before the damage or injury, or restored or replaced promptly by the Tenant at its expense. The Tenant will at all times keep the Demised Premises free and clear of wastepaper, discarded plastic, graffiti, and all other trash and debris of any kind. The Tenant hereby waives the provisions of subsection 1 of Section 1932 and of Sections 1941 and 1942 of the California Civil Code or any successor or similar provision of law, now or hereafter in effect.

5.1.2. From October 1, 2011, the Tenant shall be responsible for operating and maintaining the Boarding Bridges and the T6 Related Equipment pursuant to manufacturers' specified maintenance and operating requirements, in good working order and in good and safe condition. The Tenant shall be entitled to charge other airlines using the Boarding Bridges in accordance with Section 16.6 below.

5.1.3. The Tenant shall be responsible for operating and maintaining the Baggage Handling Systems pursuant to manufacturers' specified maintenance and operating requirements, in good working order and in good and safe condition. The Tenant shall be entitled to charge other airlines using the Baggage Handling Systems all in accordance with Section 2.6.3 above.

5.1.4. The Tenant shall be responsible for operating and maintaining the Common Use Systems pursuant to manufacturers' specified maintenance and operating requirements, in good working order and in good and safe condition. The Tenant shall be entitled to charge other airlines using the Common Use Systems all in accordance with Section 2.6.4 above.

5.2. Maintenance and Repair by Landlord. Except as provided in Section 5.3 below, at the Landlord's expense (but subject to the Tenant's obligation to pay Terminal Expenses Additional Rent under Section 2.4), the Landlord will maintain the Airline Joint Use Areas, the International Joint Use Areas, the Terminal Common Areas, and the Vertical Areas and will make all repairs to the Airline Joint Use Areas, the International Joint Use Areas, the Terminal Common Areas, and the Vertical Areas, and to all the fixtures, equipment and appurtenances therein (but excluding Tenant's Property and the property of other tenants of the Terminal), as and when needed to preserve them in good working order and good and safe condition. The Landlord may in its reasonable discretion elect to delegate some or all of its obligations under this Section 5.2 to any Person (including the Tenant and one or more of the other Airline Users), under such terms as the Landlord and the Person may agree.

5.3. Prevailing Wage. Maintenance work performed on the Landlord's property may require payment of prevailing wages. The Tenant is obligated to make that determination, and shall be bound by and comply with applicable provisions of the California Labor Code and Federal, State, and local laws related to labor. The Tenant shall indemnify and pay or reimburse the Landlord for any damages, penalties or fines (including, but not limited to, attorney's fees and costs of litigation) that the Landlord incurs, or pays, as a result of noncompliance with applicable prevailing wage laws in connection with such maintenance.

6. Liens, etc. The Tenant will not permit to be created or to remain, and will discharge (by payment, filing of an appropriate bond or otherwise), any lien, deed of trust, mortgage or other encumbrance affecting the Demised Premises caused or created by the Tenant, including any mechanic's liens arising from any work performed for the benefit of the Tenant, or, to the extent caused or created by the act of the Tenant, the Airport or any part thereof, other than (i) this Lease, (ii) any encumbrance affecting the Demised Premises or the Airport and arising solely from any act or omission of the Landlord or any Person claiming by, through or under the Landlord (other than the Tenant or any Person claiming by, through or under the Tenant), (iii) liens or other encumbrances being contested under Section 8, and (iv) inchoate liens of mechanics, materialmen, suppliers or vendors, or rights thereto incurred by the Tenant in the ordinary course of business for sums that under the terms of the related contracts are not yet due. Notice is hereby given that the Landlord shall not be liable for any labor or materials furnished or to be furnished to the Tenant upon credit, and that no mechanics' or other lien for any such labor or materials shall attach to or affect the reversion or other estate or interest of the Landlord in and to the Airport, the Terminal, or the Tenant Areas. Without limiting the

generality of Section 9.1 or the remedies available to the Landlord for any breach of this Lease under Section 14, if the Tenant does not, within 30 days following the imposition of any lien, deed of trust, mortgage or other encumbrance caused or created by the Tenant, including any mechanic's liens arising from any work performed for the benefit of the Tenant, that the Tenant is required to discharge (any of the foregoing being referred to as an "Impermissible Lien"), cause the Impermissible Lien to be released of record by payment or posting of a proper bond or otherwise, the Landlord shall have, in addition to all other remedies provided by law, the right, but not the obligation, upon ten Business Days prior notice to the Tenant, to cause the Impermissible Lien to be released by such means as the Landlord shall deem proper, including payment in satisfaction of the claim giving rise to the Impermissible Lien. All sums paid by the Landlord and all actual expenses incurred by it in connection with the release of the Impermissible Lien, including costs and reasonable attorneys fees, shall be paid by the Tenant to the Landlord on demand.

7. Compliance with Legal Requirements and Insurance Requirements, etc. The Tenant at its expense will comply with all current and future Legal Requirements and Insurance Requirements (other than Legal Requirements and Insurance Requirements being contested under Section 8) that impose any violation or obligation upon the Landlord or the Tenant relating to the Demised Premises or the use or occupancy thereof. Without limiting the generality of the foregoing, but subject to the provisions of Section 8, the Tenant will, at the Tenant's expense, comply with any Legal Requirement that requires repairs or alterations within the Demised Premises so as to cause the Demised Premises to comply with the Americans with Disabilities Act, California Financial Code Section 13082 regarding touch screen devices, and any other Legal Requirements regarding access of disabled persons to the Demised Premises, including any services, programs or activities provided by the Tenant. The Tenant will cooperate with the Landlord in the Landlord's efforts to ensure compliance by the Airport with all applicable Legal Requirements, including Legal Requirements regarding access of disabled persons to the Airport. The Tenant will cooperate with the Landlord and participate in and comply with activities organized by the Landlord and mandated by any governmental agency, including recycling programs. The Landlord will not be liable to the Tenant, nor shall the Tenant be entitled to terminate this Lease in whole or in part, by reason of any diminution or deprivation of the Tenant's rights or benefits under this Lease that may result from the Tenant's obligation to comply with applicable Legal Requirements. If and when the Landlord implements or amends any rules and regulations applicable to the Tenant, the Terminal, or the Airport or any part thereof, the Landlord shall comply with any consultation requirements of this Lease or of any applicable Legal Requirement, including Federal Aviation Administration regulations.

8. Permitted Contests. The Tenant at its expense may contest by appropriate legal proceedings conducted in good faith and with due diligence (i) the amount or validity or application, in whole or in part, of any claims of contractors, mechanics, materialmen, suppliers or vendors or liens therefor and (ii) the interpretation or applicability of any Legal Requirement or Insurance Requirement affecting the Demised Premises or any part thereof and may withhold payment and performance of the foregoing (but not the payment of any amount or the performance of any term for which the Tenant is otherwise obligated to the Landlord under this Lease) pending the outcome of the proceedings if permitted by law, provided that (A) in the case of any claims of contractors, mechanics, materialmen, suppliers or vendors or lien therefor, the proceedings shall suspend the collection thereof from the Landlord and any part of the Airport,

(B) in the case of any lien of a contractor, mechanic, materialman, supplier or vendor, the lien has been discharged by bonding or otherwise, (C) in the case of any lien of a contractor, mechanic, materialman, supplier or vendor, the lien does not encumber any interest in any part of the Airport other than the Tenant's interest in the Demised Premises and the lien will not adversely affect the ongoing operation or leasing of any part of the Airport, (D) in the case of a Legal Requirement or an Insurance Requirement, the cost of compliance with which is reasonably estimated to exceed \$50,000, as adjusted by the CPI from July 1, 2005 to the date of determination, the Tenant will furnish to the Landlord either (x) a bond of a surety company reasonably satisfactory to the Landlord, in form and substance reasonably satisfactory to the Landlord, and in the amount of the lien or the cost of compliance (as reasonably estimated by the Landlord) or (y) other security reasonably satisfactory to the Landlord, (E) neither the Airport nor any part thereof nor interest therein would be sold, forfeited or lost, (F) in the case of a Legal Requirement, the Landlord shall not be subject to any criminal liability, and neither the Airport nor any interest therein would be subject to the imposition of any lien or penalty, as a result of the failure to comply during the pendency or as a result of the proceeding, (G) in the case of an Insurance Requirement, the failure of the Tenant to comply therewith shall not cause the insurance premiums payable by the Landlord for the Airport to be greater than they otherwise would be, (H) in the case of any Legal Requirement or Insurance Requirement, the failure of the Tenant to comply therewith during the contest will not adversely affect the ongoing operation or leasing of the Airport, and will not subject the Landlord to any civil liability, and (I) the Tenant shall have furnished such security, if any, as may be required in the proceedings.

9. Indemnity; Insurance.

9.1. Indemnity. The Tenant will indemnify the Landlord against and hold the Landlord harmless from all expenses (including reasonable attorneys' fees and disbursements), liabilities, losses, damages or fines incurred or suffered by the Landlord by reason of (i) any breach or nonperformance by the Tenant, or its agents, employees, contractors, customers and invitees, of any covenant or provision of this Lease to be observed or performed on the part of the Tenant, (ii) the carelessness, negligence or improper conduct of the Tenant, or its agents, employees, contractors and invitees in, on or about the Demised Premises or arising out of the Tenant's occupancy of the Demised Premises, and (iii) all Environmental Losses arising from the Tenant's Application of Hazardous Materials at the Airport. The Landlord will promptly notify the Tenant of any claim asserted against the Landlord for which the Tenant may be liable under this Section 9.1 and will promptly deliver to the Tenant the original or a true copy of any summons or other process, pleading, or notice issued in any suit or other proceeding to assert or enforce the claim. If the Tenant becomes aware of any claim asserted against the Landlord for which the Tenant may be liable under this Section 9.1, and of which the Tenant has not yet been notified by the Landlord under the provisions of the immediately preceding sentence, the Tenant will promptly notify the Landlord of the claim. If any claim, action or proceeding is made or brought against the Landlord for which claim, action or proceeding the Tenant would be liable under this Section 9.1, upon demand by the Landlord, the Tenant, at its expense, will defend the claim, action or proceeding, in the Landlord's name, if necessary, by such attorneys as the Landlord shall approve, which approval shall not be unreasonably withheld. Attorneys for the Tenant's insurance carrier are deemed approved for purposes of this Section 9.1 (and if the Tenant's insurance carrier offers the Tenant more than one choice of counsel, the Tenant will select the counsel provided by the insurance carrier that is reasonably acceptable to the

Landlord). The Tenant shall, in any event, have the right, at the Tenant's expense, to participate in the defense of any action or other proceeding brought against the Landlord and in negotiations for and settlement thereof if, under this Section 9.1, the Tenant may be obligated to reimburse the Landlord in connection therewith. The Landlord in its discretion may settle any claim against it that is covered by the Tenant's indemnity in this Section 9.1, if the Landlord shall first have provided notice to the Tenant of the Landlord's intention to settle the claim and the material terms of the proposed settlement and if the Tenant does not object to the proposed settlement within five Business Days of its receipt of the notice (or, if the Tenant receives immediate notice of the offer of settlement and its terms, such lesser time as was given as a condition of the settlement offer). In the case of any claim for which the Landlord's proposed settlement includes the payment of more than \$100,000, the Landlord may settle the claim over the Tenant's objection unless the Tenant furnishes the Landlord with either (i) a bond in an amount equal to the claim in a form and from a surety reasonably satisfactory to the Landlord, or (ii) other security reasonably satisfactory to the Landlord. For the purposes of this Section 9.1 and any other indemnity by the Tenant in this Lease, any indemnity of the Landlord shall be deemed to include an indemnity of the Board and all of the Landlord's officers, employees and agents.

9.2. Insurance. The Tenant will obtain and keep in full force and effect during the Term, at its expense, policies of insurance of the types, with the coverages and insuring the risks specified in the insurance schedule attached to this Lease as Schedule 2. Based on its periodic review of the adequacy of insurance coverages, the Landlord may from time to time, but not more than once in each Lease Year, in the exercise of its reasonable judgment revise the types of insurance required to be maintained by the Tenant, the risks to be insured and the minimum policy limits, on 30 days' prior notice to the Tenant. All policies of insurance required to be maintained by the Tenant under this Section 9.2 (a) shall be primary and noncontributing with any other insurance benefiting the Landlord where liability arises out of or results from the acts or omissions of the Tenant, its agents, employees, officers, assigns or any other Person acting on behalf of the Tenant, and (b) may provide for reasonable deductibles or retention amounts satisfactory to the Landlord based upon the nature of the Tenant's operations and the risks insured. Without limiting the generality of Section 9.1 or the remedies available to the Landlord for any breach of this Lease under Section 14, if the Tenant does not furnish the Landlord with evidence of insurance and maintain insurance in accordance with this Section 9.2, the Landlord may, but shall not be obligated to, procure the insurance at the expense of the Tenant, in which event the Tenant will promptly reimburse the Landlord for any amounts advanced by the Landlord in procuring the insurance, together with a charge of 15% of the amounts so advanced for the Landlord's administrative costs in so doing. The Tenant will provide proof of all insurance required to be maintained by this Section 9.2 by (a) production of certified copies of the actual insurance policies, (b) use of the Landlord's own endorsement forms, (c) broker's letter satisfactory to the Landlord in substance and form in the case of foreign insurance syndicates, or by other written evidence of insurance satisfactory to the Landlord. The documents evidencing all specified coverages shall be filed with the Landlord in duplicate and shall be procured and approved in strict accordance with the provisions in Sections 11.47 through 11.56 of Administrative Code of the City of Los Angeles before the Tenant occupies the Demised Premises or any other portions of the Tenant Areas. The documents evidencing the coverages shall contain the applicable policy number, the inclusive dates of policy coverages, and the insurance carrier's name, and shall bear the signature of an authorized representative of the carrier. The Landlord reserves the right to have submitted to it, upon request, all pertinent

information about the agent and carrier providing any policy of insurance required by this Section 9.2. Policies of insurance issued by non-California admitted carriers are subject to the provisions of California Insurance Code Sections 1760 through 1780, and any other regulations and directives from the California Department of Insurance or other regulatory board or agency. Unless exempted, the Tenant will provide the Landlord with proof of insurance from the non-California admitted carriers through a surplus lines broker licensed by the State of California. The Tenant will promptly furnish the Landlord with (i) notice of cancellation or change in the terms of any policy of insurance required to be maintained by this Section 9.2, and (ii) evidence, and if requested, copies of any renewals, replacement or endorsements of or to the policies (and, in the case of renewals or replacements, at least 15 days before the expiration of the corresponding existing policy).

9.3. Carriers; Policy Provisions. All insurance policies referred to in Section 9.2 that are carried by the Tenant shall be maintained with insurance companies of recognized standing and with at least A.M. Best rating of A- or equivalent. Each insurance policy referred to in Section 9.2 shall also, whether under the express provisions of the policy, by Landlord's own endorsement form or by other endorsement attached to the policy, include the Landlord, the Board and all of the Landlord's officers, employees, and agents, as additional named insureds for all purposes of the policy. Each insurance policy referred to in Section 9.2 (other than policies for workers' compensation, employers' liability and fire and extended coverages) shall contain (a) a "Severability of Interest (Cross Liability)" clause stating "It is agreed that the insurance afforded by this policy shall apply separately to each insured against whom claim is made or suit is brought except with respect to the limits of the company's liability", and (b) a "Contractual Endorsement" stating "Such insurance as is afforded by this policy shall also apply to liability assumed by the insured under its lease of property at Los Angeles International Airport with the City of Los Angeles." Each insurance policy referred to in Section 9.2 shall provide that the insurance provided under the policy shall not be subject to cancellation, reduction in coverage, or nonrenewal except after written notice, at least 30 days before the effective date, by certified mail, return receipt requested, to the Landlord at its address specified in or under the provisions of Section 19.

## 10. Damage or Destruction.

10.1. Tenant to Restore. If the Terminal or the Demised Premises shall be damaged or destroyed by fire or other casualty (and if this Lease shall not have been terminated as provided in Section 10.2), then, whether or not (i) the damage or destruction shall have resulted from the fault or neglect of the Tenant or any other Person, or (ii) the insurance proceeds shall be adequate therefor, the Tenant will repair the damage, and restore the Demised Premises at the Tenant's expense, promptly and expeditiously and with reasonable continuity, to the same or better condition as existed before the casualty and in such a manner as is otherwise consistent with this Lease and the Tenant's uses of the Demised Premises, in each case subject to all then existing Legal Requirements; provided, however, that (w) any such repair and restoration obligation of the Tenant shall be contingent upon the Landlord's repair and restoration of the Terminal and all structural components (which for greater clarity, shall also include the main trunk line for electrical and plumbing, but which shall not include the Tenant's improvements, fixtures, equipment, electrical connecting to the main trunk line, plumbing connecting to the main trunk line, and other property) of the Demised Premises, (x) in accordance with Section 5.2, the

Landlord shall make all repairs and restoration necessary in the Airline Joint Use Areas, the International Joint Use Areas, the Terminal Common Areas and the Vertical Areas, (y) if the damage or destruction resulted from any plumbing, electrical or structural failure, then the Landlord shall be responsible for all related repairs and restoration, and (z) any such repair, reconstruction or restoration by the Tenant would be without prejudice to the Tenant's rights (or of its insurers) to claim any amounts incurred by such reconstruction to the responsible party. If the damage or destruction is such that renders the Demised Premises unusable, the Landlord shall use reasonable efforts to relocate the Tenant to comparable alternative facilities (in size and functionality) during such repair and restoration. Any repair or restoration by the Tenant of the Demised Premises following a casualty shall be considered an Alteration for the purposes of Section 4. If as a result of the repairs or restoration, a new certificate of occupancy shall be necessary for the Demised Premises, the Tenant will obtain and deliver to the Landlord a temporary or final certificate of occupancy before the damaged portions of the Demised Premises shall be reoccupied for any purpose.

## 10.2. Termination of Lease.

10.2.1. Destruction at End of Term. If a Substantial Destruction shall occur during the last 18 months of the Term, and the repair or restoration necessitated by the Substantial Destruction, under normal construction procedures would, in the Landlord's reasonable judgment, require more than three months to complete, then the Landlord will so notify the Tenant, and the Landlord or the Tenant may terminate this Lease upon notice to the other given within 30 days after the Substantial Destruction. The date fixed in the Landlord's notice of the termination of this Lease shall be not earlier than 30 days following the delivery of the notice.

10.2.2. Destruction of Terminal. If substantially all of the Terminal shall be damaged by fire or other casualty, the Landlord may terminate this Lease upon notice to the Tenant given within 30 days after the damage. The date fixed in the Landlord's notice of the termination of this Lease shall be not earlier than 30 days following the delivery of the notice.

10.2.3. Substantial Destruction. If a Substantial Destruction shall occur, other than during the last 18 months of the Term, and the repair or restoration of the Substantial Destruction would, in the Landlord's reasonable judgment, require more than six months to complete, the Tenant may terminate this Lease by giving the Landlord notice of its election to terminate this Lease within 30 days following the occurrence of the circumstance giving rise to the Substantial Destruction.

10.2.4. Effect of Termination. In the event of the termination of this Lease under the provisions of Section 10.2.1, 10.2.2, or 10.2.3, this Lease shall expire (subject to the provisions of Section 28.17) as fully as of the earlier of (i) the date on which the Tenant could no longer operate from the Demised Premises as a result of such casualty, or (ii) on the date fixed in the notice of termination, in each case, as if such date were the date originally fixed for the expiration of the Term, and the Tenant will vacate the Tenant Areas and surrender them to the Landlord on the date fixed for termination. Base Rent and additional rent shall be apportioned and paid by the Tenant up to and including the date of termination. If the Tenant elects to terminate this Lease under the provisions of Section 10.2.1 or 10.2.3, the Tenant will (at the

Tenant's expense), unless otherwise directed by the Landlord, demolish all damaged improvements in the Demised Premises and remove and properly dispose of the debris.

10.3. Tenant to Give Notice. The Tenant will give the Landlord notice in case of material damage or destruction to the Demised Premises promptly after the Tenant becomes aware of the event.

10.4. Waiver. The Landlord and the Tenant intend that all of their rights and obligations arising out of any damage to or destruction of the Terminal shall be governed by the provisions of this Lease. The Landlord and the Tenant therefore waive the provisions of California Civil Code Sections 1932 and 1933, and of any other Legal Requirements that relate to termination of a lease when property is damaged or destroyed

## 11. Eminent Domain.

11.1. Total Taking. If there shall occur a Taking (other than for temporary use) of the whole of the Terminal (a "Total Taking"), this Lease shall terminate as of the Taking Date.

11.2. Partial Taking. If there shall occur a Taking (other than for temporary use) of any part of the Terminal, and if the Taking shall not constitute a Total Taking (a "Partial Taking"), the Tenant may elect to terminate this Lease if the Partial Taking shall be of a portion of the Terminal such that, in the Tenant's reasonable judgment (taking into account any alternatives proposed by the Landlord), the remaining portion of the Tenant Areas shall not be adequate for the proper conduct of the Tenant's operations. The Tenant will give at least 30 days notice of the Tenant's election to the Landlord not later than 60 days after the later to occur of (i) the delivery by the Landlord to the Tenant of notice of the Partial Taking, and (ii) the Taking Date.

11.3. Awards. The Tenant shall not be entitled to receive any portion of the Landlord's award in any proceeding relating to any Total Taking or Partial Taking. The Tenant shall, however, be entitled to appear, claim, prove and receive in the proceedings a separate award relating to any Total Taking or Partial Taking, for the then value of the Tenant's estate under this Lease, of the Tenant's Property, for any Alterations made to the Tenant Areas after the Lease Commencement Date at the Tenant's expense and for moving expenses, but only to the extent a separate award shall be made in addition to, and shall not result in a reduction of the award made to the Landlord for the Terminal, the remainder of the Airport and the fixtures and equipment of the Landlord so taken. In any Taking proceeding in which the Tenant is claiming the value of the Tenant's estate under this Lease, the Tenant shall have the burden of proving the value thereof, and that the amount of compensation to be awarded to the Landlord will not be reduced by the amount of compensation to be awarded to the Tenant on account of the value of the Tenant's estate under this Lease.

## 11.4. Temporary Taking.

11.4.1. In General. If there shall occur a Taking for temporary use of all or part of the Tenant Areas, the Tenant shall be entitled, except as hereinafter set forth, to receive the portion of the award for the Taking that represents compensation for the use and occupancy of the Tenant Areas, for the taking of the Tenant's Property, for any Alterations made to the Tenant

Areas after the Lease Commencement Date at the Tenant's expense, for moving expenses, and for the cost of restoration of the Demised Premises. Subject to the provisions of Section 11.4.2, the Tenant's rights and obligations under this Lease shall be unaffected by the Taking for temporary use and the Tenant shall continue to be responsible for the performance of all of its obligations hereunder except insofar as the performance is rendered impractical by the Taking. If the period of temporary use or occupancy shall extend beyond the expiration date of the Term, the portion of the award that represents compensation for the use or occupancy of the Tenant Areas shall be apportioned between the Landlord and the Tenant so that the Tenant shall receive so much thereof as relates to the period before the expiration date and the Landlord shall receive so much thereof as relates to the period after the expiration date. All payments to which the Tenant may be entitled as part of an award for temporary use or occupancy for a period beyond the date to which Base Rent and additional rent hereunder have been paid by the Tenant shall be payable to the Landlord, to be held by it as a trust fund for payment of Base Rent and additional rent falling due hereunder and shall be applied by the Landlord to the Base Rent and additional rent as the Base Rent and additional rent fall due. The Tenant shall not be entitled to any abatement of Base Rent or additional rent during any Taking for temporary use or occupancy.

11.4.2. Extensive Temporary Taking. If there shall occur a Taking for temporary use of (i) any substantial part of the Tenant Areas at any time during the last six months of the Term, (ii) substantially all of the Tenant Areas during the last 18 months of the term, or (iii) any Critical Portion of the Tenant Areas for a period reasonably estimated to exceed one year at any time during the Term, the Tenant may terminate this Lease by giving the Landlord at least 30 days' prior notice to that effect within 60 days after the Taking Date, and this Lease shall then terminate on the date specified in the notice.

11.5. Restoration. In the event of any Taking of any portion of the Terminal that does not result in a termination of this Lease, the Tenant will repair, alter and restore the remaining part of the Demised Premises, at the Tenant's expense, promptly and expeditiously and with reasonable continuity, so as to constitute (to the maximum extent feasible) a complete and tenantable Demised Premises that shall be substantially comparable in quality and service to the Demised Premises, as they existed immediately before the Taking; provided, however, that if such Taking is caused by the Landlord, such repairs, alteration and restoration shall be made at the Landlord's expense. All repairs, alterations or restoration shall otherwise be performed in substantially the same manner and subject to the same conditions as provided in Section 10.1 relating to damage or destruction.

11.6. Effect of Termination. In the event of the termination of this Lease under the provisions of Sections 11.1, 11.2, or 11.4.2, this Lease shall expire (subject to the provisions of Section 28.17) as fully on the date specified herein for termination, or fixed in the applicable notice of termination, as if that were the date originally fixed for the expiration of the Term, and the Tenant will vacate the Tenant Areas and surrender them to the Landlord on the date of termination. Base Rent and additional rent shall be apportioned and paid by the Tenant up to and including the date of termination.

12. Assignment, Subletting.

12.1. Landlord's Consent Required. Subject to the provisions of Section 12.2, the Tenant will not assign, mortgage or encumber this Lease without the prior written consent of the Board, nor sublet, license, nor sublicense the Tenant Areas or any part thereof, without the prior consent of the Executive Director, and any such assignment, mortgage, encumbrance, license, subletting, or sublicensing made without the consent of the Board or the Executive Director, as applicable, shall be void. The Landlord may withhold its consent to any assignment, mortgage or encumbrance of this Lease, or any subletting, license, or sublicense of the Tenant Areas or any part thereof in the exercise of the Landlord's reasonable discretion; *provided, however*, the Executive Director may withhold its consent to any subletting, license, or sublicense of the premises where the Baggage Handling Systems is located, in the exercise of the Executive Director's sole discretion. The consent by the Landlord to any assignment, mortgage, encumbrance, license, subletting, or sublicensing shall not relieve the Tenant from obtaining the consent of the Landlord to any other or further assignment, mortgage, encumbrance, license, subletting, or sublicensing not expressly permitted by this Section 12. Any Person accepting an assignment of this Lease shall be deemed to have assumed all of the obligations of the Tenant hereunder. Any license or sublicense of the Tenant Areas or any portion thereof shall be deemed a subletting for all purposes of this Section 12. For the purposes of this Section 12, any merger or consolidation of the Tenant (in which the Tenant is not the surviving party), any sale of substantially all of the assets of the Tenant, any other circumstance that results in an assignment of this Lease by operation of law, and the transfer (as part of a single plan of transfer) of 50% or more of the voting securities of the Tenant shall be deemed an assignment of this Lease subject to the provisions of this Section 12.

12.2. Sublettings and Assignments.

12.2.1. Sublettings. If the Tenant wishes to sublet any portion of the Demised Premises, the Tenant will notify the Landlord of the Tenant's intention to sublet, including (i) a description of the portion of the Demised Premises that the Tenant intends to sublet (the "Proposed Sublease Space"), and (ii) the date on which the Proposed Sublease Space will become available, which date shall be no later than six months following the delivery of the notice. The Landlord may, within 30 days after delivery of the Tenant's notice, elect by notice to the Tenant to recapture or not to recapture the Proposed Sublease Space in accordance with the provisions of Section 12.2.2. If the Landlord fails to timely make either election, the Landlord will be deemed to have made an election not to recapture the Proposed Sublease Space, with the same effect as if that election had been made. Before subletting the Demised Premises or any portion thereof, the Tenant will submit to the Landlord a request for the Landlord's consent to the subletting, which request shall contain or be accompanied by the following information: (i) the name and address of the proposed subtenant, (ii) the basic economic terms and conditions of the proposed subletting, (iii) the nature and character of the business of the proposed subtenant and of its proposed use of the Demised Premises, and (iv) current financial information as to the proposed subtenant. Within 30 days following the Landlord's receipt of the request for consent to the proposed subletting (and of the Landlord's receipt of such further financial and other information regarding the proposed subtenant as the Landlord may reasonably request), the Landlord will advise the Tenant whether the Landlord consents to the proposed subtenant. If the Landlord approves the proposed subtenant, the Landlord shall have the further right to approve

the form of sublease, which approval shall not be unreasonably withheld. Within 30 days following the Tenant's request for the Landlord's consent to the form of the sublease (which request shall include an original or copy of the fully executed sublease), the Landlord will advise the Tenant as to whether the Landlord consents to the form.

12.2.2. Recapture of Sublet Space. If the Landlord elects to recapture the Proposed Sublease Space in accordance with the provisions of Section 12.2.1, the Tenant may, within thirty (30) days of delivery of the Landlord's notice and no less than thirty (30) days prior to the date specified in the Tenant's notice referred to in the first sentence of Section 12.2.1, elect by notice to the Landlord to withdraw its notice of intent to sublet, and the Proposed Sublease Space will remain in the Demised Premises. If the Tenant does not elect to withdraw the notice of intent to sublease, (i) the Tenant will surrender the Proposed Sublease Space on the date specified in the Tenant's notice referred to in the first sentence of Section 12.2.1, in the condition required by the provisions of this Lease, (ii) the Proposed Sublease Space shall be eliminated from the Demised Premises, (iii) the Tenant's Use Share and the Tenant's Special Use Share shall be recalculated after subtracting the Rentable Area of the Proposed Sublease Space from the then Rentable Area of the Demised Premises immediately before the recapture, (iv) the Base Rent shall be recalculated after subtracting the Rentable Area of the Proposed Sublease Space from the then Rentable Area of the Demised Premises immediately before the recapture, (v) any other additional rent payable for any period from and after the date of the recapture shall be appropriately adjusted, (vi) any necessary proration of Base Rent, Terminal Expenses Additional Rent, Airport Infrastructure Additional Rent, and all other additional rent will be made as if, for the Proposed Sublease Space, the date of the recapture were the last day of the Term, and (vii) the Tenant will reimburse the Landlord, promptly upon request, for the Landlord's reasonable costs of separately demising the Proposed Sublease Space, in a manner mutually acceptable to the Landlord and the Tenant, and (viii) the Tenant shall be released from all liability or obligations hereunder relating to the Proposed Sublease Space except such liabilities or obligations that occurred during the Tenant's occupancy and which expressly survive termination of this Lease. If the Proposed Sublease Space is all of the Demised Premises (or so much of the Proposed Sublease Space that, in the Landlord's reasonable opinion, no other potential Airline User could make use of the Sublease Space for the purpose of conducting passenger flight operations from the Terminal), and if the Landlord elects to recapture the Proposed Sublease Space in accordance with the provisions of this Section 12.2.2, (i) the Tenant will surrender the Tenant Areas on the date specified in the notice referred to in the first sentence of Section 12.2.1, in the condition required by the provisions of this Lease, (ii) the Base Rent and all additional rent will be prorated as of the date of the recapture, and (iii) this Lease will terminate (subject to the provisions of Section 28.17) as of the date of the recapture.

12.2.3. Assignments. If the Tenant wishes to assign this Lease, the Tenant will notify the Landlord of its intention to assign and the date on which the Demised Premises will become available, which date shall be no later than twelve months following the delivery of the notice. The Landlord may, within 30 days after the delivery of the Tenant's notice, elect by notice to the Tenant to recapture the Demised Premises in accordance with the provisions of this Section 12.2.3. If the Landlord fails timely to make either election, the Landlord will be deemed to have made an election not to recapture the Demised Premises, with the same effect as if that election had been made. If the Landlord elects to recapture the Demised Premises, in accordance with the provisions of this Section 12.2.3, (i) the Tenant will surrender the Tenant Areas on the

date specified in the notice referred to in the first sentence of this Section 12.2.3, in the condition required by the provisions of this Lease, (ii) the Base Rent and all additional rent will be prorated as of the date of the recapture, and (iii) this Lease will terminate (subject to the provisions of Section 28.17) as of the date of the recapture. Before assigning this Lease, the Tenant will submit to the Landlord a request for the Landlord's consent to the assignment, which request shall contain or be accompanied by the following information: (i) the name and address of the proposed assignee, (ii) the basic economic terms and conditions of the proposed assignment, (iii) the nature and character of the business of the proposed assignee and of its proposed use of the Demised Premises, and (iv) current financial information as to the proposed assignee. Within 30 days following the Tenant's request for the Landlord's consent to an assignment, the Landlord will advise the Tenant as to whether the Landlord consents to the assignment.

12.3. Terms of all Sublettings, etc. Every subletting by the Tenant is subject to the express condition, and by accepting a sublease hereunder each subtenant shall be conclusively deemed to have agreed, that the sublease is subject to all of the provisions of this Lease, and that if this Lease should be terminated before its expiration date or if the Landlord shall succeed to the Tenant's estate in the Demised Premises, then, at the Landlord's election (i) the subtenant shall attorn to and recognize the Landlord as the subtenant's landlord under the sublease and the subtenant will promptly execute and deliver any instrument the Landlord may reasonably request to evidence the attornment, or (ii) the Landlord may terminate the sublease in the exercise of the Landlord's discretion. The Tenant shall remain fully liable for the performance of all of the Tenant's obligations hereunder notwithstanding any assignment of this Lease or subletting of any portion of the Demised Premises and, without limiting the generality of the foregoing, shall remain fully responsible and liable to the Landlord for all acts and omissions in violation of any of the provisions of this Lease of any subtenant or anyone claiming by, through or under any subtenant. Each sublease of all or a portion of the Demised Premises shall expressly prohibit the subtenant thereunder from further subletting any portion of the subleased premises without the consent of the Landlord and the Tenant. In the case of any sublease entered into by the Tenant under Section 12.2.1, the sublease shall not be effective until the Tenant and the proposed subtenant shall have executed and delivered to the Landlord the Landlord's customary form of consent to subletting. In no event will the Tenant knowingly enter into a sublease or an assignment with any Person entitled to claim sovereign immunity. No assignment of this Lease shall be binding upon the Landlord unless (i) the assignment is approved by the Landlord, and (ii) the assignee shall execute and deliver to the Landlord an instrument, recordable in form, under which the assignee agrees unconditionally to be personally bound by and to perform all of the obligations of the Tenant hereunder. A failure or refusal of the assignee to execute or deliver such an instrument shall not release the assignee from its liability for the obligations of the Tenant assumed by the acceptance of the assignment of this Lease.

12.4. Rights of Affiliates. During such period of time that a company is an Affiliate of the Tenant and the Tenant remains a signatory of this Lease, such Affiliate (i) shall have the rights afforded the Tenant hereunder without the payment of any additional fees, charges or premiums due pursuant to this Lease, (ii) shall be charged at the same fees, rates and charges as the Tenant pursuant to this Lease and (iii) be considered as one party with the Tenant, for purposes of calculating any joint use or shared space charges and for any reconciliation process related to fees and charges.

13. Pipes, Ducts and Conduits; Access to Tenant Areas, etc.

13.1. Pipes, Ducts and Conduits. The Landlord may, without any compensation to the Tenant, erect, use and maintain pipes, ducts and conduits in and through the Tenant Areas, provided that they are installed by such methods and at such locations as will not materially interfere with the Tenant's use of the Tenant Areas.

13.2. Landlord's Access to Tenant Areas. The Landlord, its officers, employees, agents and contractors may, upon written notice to the Tenant and, if the Tenant so desires, in the presence of the Tenant's representative, enter the Tenant Areas at reasonable times for the purpose of (i) inspecting the Tenant Areas and making such repairs, restorations or alterations as the Landlord shall be required or shall have the right to make in accordance with the provisions of this Lease, (ii) inspecting the Demised Premises or exhibiting them to prospective tenants, or (iii) doing any other act or thing that the Landlord may be obligated or have the right to do in accordance with the provisions of this Lease. Such inspections and exhibitions shall be conducted in such a manner as to cause no unreasonable or unnecessary disruption to the Tenant or the conduct of its business.

13.3. Emergency Access to Demised Premises. If no authorized representative of the Tenant shall be personally present to permit an entry into the Demised Premises at any time when such an entry shall be urgently necessary by reason of fire or other emergency, the Landlord may forcibly enter the Demised Premises without rendering the Landlord liable therefor, if, to the extent possible and during and following the entry, the Landlord will accord due care to the Demised Premises and the Tenant's property under the emergency circumstances. The Landlord will notify the Tenant of any emergency entry as soon thereafter as practicable.

13.4. Changes to Common Areas. The Landlord reserves the right to change the arrangement, design, number and location of entrances, passageways, doors, doorways, corridors, elevators, stairways, restrooms, roads, sidewalks, landscaping and other parts of the Terminal Common Areas, the Airline Joint Use Areas, the International Joint Use Areas, Vertical Areas, and other areas of the Terminal and the Airport (but not any part of the Demised Premises, as to which the Landlord will not make any changes except as may be required in connection with the Landlord's performance of its obligations hereunder or the exercise of the Landlord's rights specifically elsewhere set forth in this Lease), provided that the Landlord will not exercise its rights under this Section 13.4 so as to affect the entrances, passageways, doors, doorways, lobby and other hallways, corridors and stairways providing access to the Demised Premises if access to the Demised Premises, or the use or enjoyment thereof, would be unreasonably interfered with or impaired.

13.5. Tenant's Access to Tenant Areas. During the Term, if no Event of Default shall have occurred and be continuing, the Tenant and its agents, employees, contractors, customers and invitees shall have ground ingress to and egress from the Tenant Areas, subject to such reasonable airfield access control and permitting requirements as may from time to time be established by the Landlord and to temporary blockage or redirection due to construction work or the requirements of airport operations.

14. Events of Default, Remedies, etc.

14.1. Events of Default. If any one or more of the following events shall occur (each being referred to as an "Event of Default"):

(a) if the Tenant shall fail to pay any installment of Base Rent or any amount of additional rent on the date the same becomes due and payable and the failure shall continue for more than three days after the Tenant receives written notice from the Landlord of the failure (which notice and three-day period shall be in lieu of, and not in addition to, the notice requirements of Section 1161 of the California Code of Civil Procedure or any successor or similar provision of law, now or hereafter in effect);

(b) if the Tenant shall fail to perform or comply with the provisions of Section 5.1, and the failure shall continue for more than the number of days specified for the cure thereof in any written notice from the Landlord to the Tenant of the failure, provided that in the case of any such failure that is susceptible of cure but that cannot with diligence be cured within the period of time specified by the Landlord in its notice, if the Tenant shall promptly have commenced to cure the failure and shall thereafter prosecute the cure of the failure in good faith and with diligence, the period within which the failure may be cured may be extended by the Landlord, in the exercise of its discretion, for such period of time as shall be reasonably necessary for the cure of the failure with diligence;

(c) if any insurance required to be maintained by the Tenant under the terms of Section 9 shall be cancelled or terminated or shall expire (and if replacement insurance complying with the terms of Section 9 shall not have been effected prior to the cancellation, termination or expiration), or shall be amended or modified, except, in each case, as permitted by the terms of Section 9;

(d) if the Tenant shall enter into any assignment of this Lease or any sublease without the consent of the Landlord under the terms of Section 12;

(e) if the Tenant shall fail to comply with any provision of Section 15, and the failure shall continue for more than 30 days after the Tenant receives written notice from the Landlord of the failure (which notice and 30-day period shall be in lieu of, and not in addition to, the notice requirements of Section 1161 of the California Code of Civil Procedure or any successor or similar provision of law, now or hereafter in effect);

(f) if the Tenant shall fail to perform or comply with any term of this Lease (other than those referred to in clauses (a) through (e) of this sentence) and the failure shall continue for more than 30 days after the Tenant receives written notice from the Landlord of the failure (which notice and 30-day period shall be in lieu of, and not in addition to, the notice requirements of Section 1161 of the

California Code of Civil Procedure or any successor or similar provision of law, now or hereafter in effect);

(g) if the Tenant shall (i) file, or consent by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, (ii) make an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts when due, (iii) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any material part of its properties, (iv) be adjudicated insolvent or be liquidated, or (v) take corporate action for the purpose of any of the foregoing;

(h) if a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Tenant, a custodian, receiver, trustee or other officer with similar powers with respect to the Tenant or with respect to any material part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Tenant, or if any petition for any such relief shall be filed against the Tenant and the petition shall not be dismissed within 30 days;

(i) if the Tenant shall vacate the Tenant Areas without a demonstrable intention to return, whether or not the Tenant continues to pay Base Rent and additional rent in a timely manner;

(j) if the Tenant shall be in default beyond the expiration of any applicable notice and cure periods under any other lease, license, permit or contract to which the Landlord shall be a party;

(k) if the Tenant shall fail to pay when due any amount due under the Landing Fee; or

(l) if the Tenant shall fail to remit when due to the Landlord any Passenger Facility Charges;

then and in any such event the Landlord may at any time thereafter, during the continuance of the Event of Default, give a written termination notice to the Tenant specifying a date (not fewer than 30 days from the date the notice is given) on which this Lease shall terminate, and on that date, subject to the provisions of Section 28.17, the Term shall terminate by limitation and all rights of the Tenant under this Lease shall cease. The Tenant will pay, as additional rent, all reasonable costs and expenses incurred by or on behalf of the Landlord (including, without limitation, reasonable attorneys' fees and expenses) occasioned by any default by the Tenant under this Lease.

14.2. Repossession, etc. If an Event of Default shall have occurred and be continuing, the Landlord, whether or not the Term of this Lease shall have been terminated under Section 14.1, may enter upon and repossess the Demised Premises or any part thereof by summary proceedings, legal process or otherwise in accordance with applicable law, and may remove the Tenant and all other persons and any and all property from the Tenant Areas. At the expense of the Tenant, the Landlord may store any property so removed from the Tenant Areas. The Landlord shall be under no liability for or by reason of the entry, repossession or removal. No re-entry or repossession of the Demised Premises or any part thereof by the Landlord shall be construed as an election by the Landlord to terminate this Lease unless notice of the termination be given to the Tenant under Section 14.1.

14.3. Damages.

14.3.1. Monthly Installments. In the event of a termination of this Lease pursuant to Section 14.1, the Tenant will pay to the Landlord as damages, sums equal to the aggregate Base Rent and additional rent that would have been payable by the Tenant had this Lease not terminated, payable upon the due dates therefor specified herein until the last day of the Term (had this Lease not been terminated). Suit or suits for the recovery of any damages payable hereunder by the Tenant, or any installments thereof, may be brought by the Landlord from time to time at its election, and the Landlord need not postpone suit until the date when the Term would have expired but for the termination.

14.3.2. Final Damages. In the event of a termination of this Lease pursuant to Section 14.1, the Tenant will pay to the Landlord, without duplication, whether or not the Landlord shall have collected any monthly installment described in Section 14.3.1, as and for final damages, an amount equal to the sum of the following:

(a) the value at the time of the award of any unpaid Base Rent, Terminal Expenses Additional Rent, Airport Infrastructure Additional Rent, and all other additional rent due as of the date of the termination of this Lease;

(b) the value at the time of the award of the amount by which (i) the unpaid Base Rent, Terminal Expenses Additional Rent, Airport Infrastructure Additional Rent, and all other additional rent that would have been payable after the date of the termination of this Lease until the time of the award, exceeds (ii) the amount of rental loss, if any, that the Tenant shall have affirmatively proven could have been reasonably avoided;

(c) the value at the time of the award of the amount by which (i) the unpaid Base Rent, Terminal Expenses Additional Rent, Airport Infrastructure Additional Rent, and all other additional rent that would have been payable after the date of the award, exceeds (ii) the amount of rental loss, if any, that the Tenant shall have affirmatively proven could have been reasonably avoided;

(d) any other amount necessary to compensate the Landlord for all detriment caused by (and that would be reasonably likely in the future to result

from) the Tenant's failure to perform the Tenant's obligations under this Lease;  
and

(e) all other amounts in addition to or in lieu of those set out in clauses (a) through (d) of this sentence as may from time to time be permitted by applicable California law.

As used in clauses (a) and (b) of the immediately preceding sentence, the "value at the time of the award" is computed by allowing interest at the annual rate of ten percent; as used in clause (c) of the immediately preceding sentence, the "value at the time of the award" is computed by discounting that amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, expressed as an annual rate of interest, plus one percent; as used in clauses (a), (b) and (c) of the immediately preceding sentence, the "value at the time of the award" is computed to the extent necessary on the basis of reasonable estimates of all of the factors unknown at the time of computation and necessary for the computation. If, before presentation of proof of final damages to any court, commission or tribunal, the Demised Premises, or any part thereof, shall have been relet by the Landlord for the period that otherwise would have constituted the unexpired portion of the Term, or any part thereof, the amount of rent reserved upon the reletting shall be deemed, prima facie, to be the fair and reasonable rental value for the part or the whole of the Demised Premises so relet during the term of the reletting.

14.4. Security. Following the occurrence and during the continuance of an Event of Default, the Landlord may apply the amount held by it under the Performance Guaranty toward any obligation of the Tenant under this Lease. The Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code and all other provisions of any successor or similar provision of law, now or hereafter in effect, that provide that a landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by the tenant or to clean the demised premises, the Tenant having agreed in this Lease that the Landlord may, in addition, claim those sums specified in this Section 14. Neither the Performance Guaranty nor any other security or guaranty for the performance of the Tenant's obligations that the Landlord may now or hereafter hold shall constitute a bar or defense to any action initiated by the Landlord for unlawful detainer or for the recovery of the Demised Premises, for the enforcement of any obligation of the Tenant, or for the recovery of damages suffered by the Landlord as a result of any Event of Default.

14.5. Reletting. In case of any termination of this Lease under Section 14.1 or any repossession of the Demised Premises under Section 14.2, the Landlord may relet the Demised Premises on such terms as the Landlord in its discretion may deem advisable. If the Landlord relets all or any part of the Demised Premises for all or any part of the period commencing on the day following the date of the termination or repossession and ending on the last day of the Term (had this Lease not been terminated), the Landlord will credit the Tenant with the net rents (including any other sums) received by the Landlord from the reletting, the net rents to be determined by first deducting from the gross rents as and when received by the Landlord from the reletting the expenses incurred or paid by the Landlord in terminating this Lease and re-entering the Demised Premises and securing possession thereof, as well as the reasonable expenses of reletting, including altering and preparing the Demised Premises for new tenants, brokers' commissions, and all other expenses properly chargeable against the Tenant Areas and

the rental therefrom in connection with the reletting, it being understood that any reletting may be for a period equal to or shorter or longer than the balance of the Term, provided that (i) in no event shall the Tenant be entitled to receive any excess of the net rents over the sums payable by the Tenant to the Landlord hereunder, (ii) in no event shall the Tenant be entitled, in any suit for the collection of damages under this Section 14.5, to a credit in respect of any net rents from a reletting except to the extent that the net rents are actually received by the Landlord, and (iii) if the Demised Premises or any part thereof should be relet in combination with other space, then proper apportionment on the basis of rentable area shall be made of the rent received from the reletting and of the expenses of reletting. The inability of the Landlord to relet the Demised Premises or any part thereof shall not release or affect the Tenant's liability for damages for any breach of the provisions of this Lease.

14.6. Other Remedies. Upon the occurrence of an Event of Default by the Tenant of any of the provisions of this Lease, the Landlord shall have the right of injunction and the right to invoke any remedy permitted at law or in equity in addition to any other remedies specifically mentioned in this Lease. The remedies specified herein are cumulative, and the exercise of one remedy shall not preclude the exercise of any other remedy available to the Landlord herein. No exercise by the Landlord of any remedy specifically mentioned in this Lease or otherwise permitted by law shall be construed, alone or in combination, as the exercise by the Landlord of its right to terminate this Lease unless the Landlord has in fact given written notice of the termination of this Lease. Notwithstanding the exercise of any other remedy, the Landlord may at any later time exercise its right to terminate this Lease.

14.7. Tenant's Waiver of Statutory Rights. The Tenant hereby expressly waives any and all rights, so far as is permitted by law, that the Tenant might otherwise have to (a) redeem the Demised Premises or any interest therein, (b) obtain possession of the Demised Premises, or (c) reinstate this Lease, after any repossession of the Demised Premises by the Landlord or after any termination of this Lease, whether the repossession or termination shall be by operation of law or under the provisions of Section 14.1 or 14.2.

14.8. Landlord's Right to Perform Tenant's Covenants. If the Tenant shall default in the observance or performance of any term or covenant on the Tenant's part to be observed or performed under the terms of this Lease, the Landlord may, upon written notice to the Tenant, without being under any obligation to do so, and without waiving the default, remedy the default for the account of the Tenant, immediately and without notice in case of emergency, and in any other case if the Tenant shall fail to remedy the default with all reasonable dispatch after the Landlord shall have notified the Tenant of the default and the applicable grace period for curing the default shall have expired. If the Landlord makes any expenditures or incurs any obligations for the payment of money in connection with the remedy of any such default, the actual sums paid and obligations incurred (together with a reasonable allowance for related administrative costs and overhead) shall be deemed to be additional rent hereunder and shall be reimbursed by the Tenant to the Landlord promptly after submission of a statement to the Tenant therefor, together with interest at the Stipulated Rate from the date of payment by the Landlord to the date of reimbursement. The reasonable allowance for administrative costs and overhead referred to in the immediately preceding sentence shall include the reasonable value of the efforts of the City Attorney in connection with the remedy of the default. In the case of the Landlord's remedy of any default by the Tenant of the Tenant's obligations under Section 5.1, or any other default

requiring the performance of work at the Tenant Areas, the reasonable allowance for administrative costs and overhead shall also include a surcharge of 20 percent of the Landlord's out-of-pocket costs.

15. Performance Guaranty.

15.1. Initial Performance Guaranty. Prior to the Rent Commencement Date, the Tenant shall have delivered a security deposit (the "Performance Guaranty") to the Landlord at the following address:

Revenue Accounting  
Department of Airports  
P.O. Box 92214  
Los Angeles, California 90009

The initial amount of the Performance Guaranty shall be the amount reflected on the Basic Information Schedule as the "Performance Guaranty Amount", which is three times the sum of the amount of the initial estimated monthly installments of Base Rent, Terminal Expenses Additional Rent, Airport Infrastructure Additional Rent, and all other additional rent. The Performance Guaranty may only be in the form of a cashier's check or in the form of an irrevocable bank letter of credit (and if the Performance Guaranty is for an amount equal to or greater than \$5,000.00, the Performance Guaranty must be in the form of an irrevocable bank letter of credit), in either case issued by a bank satisfactory to the Landlord. Any irrevocable bank letter of credit shall be self-renewing annually (but subject to termination as of any renewal date upon not less than 60 days' prior notice to the Landlord, in accordance with Section 19) and shall otherwise be in such form as may be approved by the City Attorney. The Performance Guaranty shall not be in lieu of any other guaranty required by the Landlord in connection with this Lease, nor shall any other guaranty in favor of the Landlord relating to any obligation of the Tenant, whether in connection with this Lease or otherwise, stand wholly or partly in lieu of the Performance Guaranty.

15.2. Increases to Performance Guaranty. Whenever under the terms of this Lease the monthly amounts payable by the Tenant on account of Base Rent, Terminal Expenses Additional Rent, Airport Infrastructure Additional Rent, and all other additional rent increase, such that the amount of the aggregate cumulative increase shall exceed ten percent of the amount of the existing Performance Guaranty, the Tenant will, within 30 days of the delivery by the Landlord of a notice requiring that the Performance Guaranty be increased, deliver a new Performance Guaranty to the Landlord at the address specified in Section 15.1 (or such other address as the Landlord may from time to time specify for the purpose of this Section 15.2) in the amount of three times the sum of the amount of the then current monthly installments of Base Rent, Terminal Expenses Additional Rent, Airport Infrastructure Additional Rent, and all other additional rent. Upon the application by the Landlord of any portion of the Performance Guaranty under the terms of Section 14.4, the Tenant will immediately deliver a new Performance Guaranty to the Landlord in the amount of the Performance Guaranty immediately before the application.

15.3. Purpose; Return. The Performance Guaranty shall be held by the Landlord as security for the faithful performance by the Tenant of all of the terms, provisions, and covenants to be performed by the Tenant under this Lease, including the payment of Base Rent, Terminal Expenses Additional Rent, Airport Infrastructure Additional Rent, and all other additional rent. Upon the expiration or earlier termination of the Term, and if the Tenant has satisfied all of its obligations to the Landlord under this Lease, the Landlord will return the Performance Guaranty to the Tenant. Without limiting the generality of the first sentence of this Section 15.3, the Performance Guaranty is intended as security for the final damages under this Lease described in Section 14.3.2, as well as for the monthly installments of damages described in Section 14.3.1. To the extent necessary to permit the Landlord to retain the Performance Guaranty until any final damages have been determined, the Tenant waives the application of Section 1950.7 of the California Civil Code.

15.4. Replacement Security Deposit Methodology. Notwithstanding this Section 15, if the Landlord adopts and implements an airline-funded bad debt reserve or similar methodology to replace the current performance guaranty requirements for airlines under the Tariff or terminal leases at the Airport, the Landlord and the Tenant agree that upon mutual agreement, such replacement security deposit methodology shall replace the Performance Guaranty requirement under this Section 15 without the prior approval or later ratification by the Board or the City Council.

15.5. Policy Change. The Board reserves the right, power and duty to revise and readjust the Performance Guaranty policy and amount at any time throughout the Term. Upon the adoption of a revised Performance Guaranty Policy by the Board, such policy shall be applicable to the Tenant.

16. Space Utilization.

16.1. Policy. Because the Airport is a public facility essential to regional and national transport and economy, as a matter of public policy the Landlord requires that space at the facilities of the Airport be fully utilized.

16.2. Cancellation upon Cessation of Service. If the Tenant shall for any reason cease to operate regularly scheduled or actual flight services at the Airport other than for reasons due to acts, events or conditions beyond the Tenant's control such as acts of God, weather conditions, work stoppages and other labor actions, riots, rebellion, sabotage, acts of a public enemy, war, terrorism, and insurrection, the Landlord may, on at least 30 days' prior notice to the Tenant, cancel this Lease. In the event of such a cancellation of this Lease, (i) the Tenant shall surrender the Demised Premises on the date specified in the Landlord's notice, in the condition required by the provisions of this Lease, (ii) the Base Rent and all additional rent shall be prorated as of the date of the cancellation, and (iii) this Lease shall terminate (subject to the provisions of Section 28.17) as of the date specified in the Landlord's notice.

16.3. Tenant's Preferential-Use Gates.

16.3.1. As of the Rent Commencement Date, Gate Nos. G64, G65, G66, G67A, G67B and G69A in the Terminal are initially designated as preferential-use (such Gates,

the "Tenant's Preferential-Use Gates"). "Gate" is defined as the gate position and the adjacent aircraft loading area.

16.3.2. The Tenant's scheduled access to the Tenant's Preferential-Use Gates and common-use Gates, if any, in the Terminal may be limited to certain periods of time based on scheduling protocols, for preferential and common-use Gates, respectively, issued by the Executive Director from time to time in accordance with this Lease.

16.4. Landlord's Preferential-Gate Scheduling Rights. Except as provided in Section 16.4.2 below, the T6 Scheduling Protocols are applicable to preferential-use Gates in the Terminals only during Non-Active Periods. For purposes of the T6 Scheduling Protocols, the Non-Active Periods shall be based on the airlines' published schedules. For purposes of determining the Non-Active Periods, the Tenant shall provide the Landlord with 30 days' advance written notice of such schedule change. "Non-Active Periods" shall mean the periods of time when the Gate is not in use for Active Loading and Active Unloading aircraft operations. In addition to any other requirement arising from the T6 Scheduling Protocols, the Landlord shall have the right at any time to schedule aircraft operations of other airlines on the Tenant's Preferential-Use Gates if such scheduling will not interfere with the periods of Active Loading and Active Unloading operations of the Tenant, or its Landlord-approved subtenant(s). "Active Loading" shall mean that period of time that commences (a) 30 minutes prior to the scheduled departure time, for an aircraft with less than 100 seats, (b) 45 minutes prior to the scheduled departure time, for an aircraft with a number of seats between 100 and 175, or (c) 60 minutes prior to the scheduled departure time, for an aircraft with more than 175 seats, and that expires 15 minutes after the scheduled departure time of the aircraft, or as such definition may be amended from time to time by the Executive Director in his or her sole discretion. "Active Unloading" shall mean that period of time that commences 15 minutes prior to the scheduled arrival time of an aircraft and expires (a) 30 minutes after the scheduled arrival time, for an aircraft with less than 100 seats, (b) 45 minutes after the scheduled arrival time, for an aircraft with a number of seats between 100 and 175, or (c) 60 minutes after the scheduled arrival time, for an aircraft with more than 175 seats, or as such definition may be amended from time to time by the Executive Director in his or her sole discretion. "Active Periods" shall mean the periods of time when the Gate is in use for Active Loading and Active Unloading aircraft operations.

16.4.1. In scheduling and specifically assigning the Tenant's aircraft to each of the Tenant's Preferential-Use Gates, the Tenant shall use its reasonable best efforts, in good faith, to (i) assign domestic operations to the Tenant's Preferential-Use Gates that are not configured to accommodate international arriving passengers, and (ii) assign exclusively only Large Aircraft operations to the Tenant's Preferential-Use Gates configured to accommodate Large Aircraft; provided, however, that clause (ii) shall not be applicable when the Tenant's Preferential-Use Gates for non-Large Aircraft are fully occupied due to the Active Loading and Active Unloading of aircraft on such Gates. "Large Aircraft" means an aircraft with size dimensions that limit where such aircraft may taxi, park, load or unload.

16.4.2. In addition to the obligations of Section 16.4.1 during Active Periods in order to further the Landlord's interest in maximizing the efficient utilization of Gates,

particularly with regard to scheduling other non-Tenant aircraft on Tenant's Preferential Use Gates, the T6 Scheduling Protocols may require that the Tenant schedule its non-Large Aircraft on replacement Gates in Terminal 6 when the Landlord seeks to schedule Large Aircraft on the Tenant's Preferential-Use Gates configured for Large Aircraft.

#### 16.5. Landlord's Accommodation Rights.

16.5.1. The Tenant acknowledges that the Landlord has an obligation under Federal law to provide Airport access to all qualified airlines on reasonable terms and without unjust discrimination. As such, the Tenant agrees that its first priority scheduling and preference on the Tenant's Preferential-Use Gates includes an associated obligation to make best efforts, to assist the Landlord in accommodating, at the Tenant's Preferential-Use Boarding Facilities, airlines seeking to initiate air service at the Airport as well as airlines seeking to expand their present air service at the Airport which air service may include, but not be limited to, air service that enhances competition on routes served by the Tenant and/or other airlines operating at the Airport, whether such air service is provided by current or future airlines operating at the Airport; provided, however, that such obligation shall not include or require the Tenant to adjust its published schedule or aircraft type. "Preferential-Use Boarding Facilities" shall mean a Gate designated as preferential-use, and associated facilities necessary for an airline's operations at such Gate including the passenger holdroom, seating and Boarding Devices. "Boarding Devices" shall mean passenger loading bridges, plane mates and other devices, if any, owned and operated by an airline to assist with passenger loading and unloading from aircraft, including remotely parked aircraft. The Tenant also agrees to allow an accommodated airline to place and operate in the Preferential-Use Boarding Facilities its mobile passenger processing equipment during the times that it uses the Tenant's Preferential-Use Gate as long as it does not impede on the Tenant's concurrent operations on such Gate or adjacent Gates, except at the Tenant's Preferential-Use Boarding Facilities where the Tenant has installed common use equipment that reasonably meets an accommodated airline's operational requirements. Further, Tenant shall have no responsibility to store accommodated airline's mobile passenger processing equipment when not in use and accommodated airline will remove equipment from the Demised Premises, unless Tenant otherwise agrees.

16.5.2. From time to time, the Landlord may foresee that it will be unable to reasonably, efficiently, and adequately accommodate the existing or the proposed change or increase in operations of an airline either at its common-use Gates and associated Airport facilities or at the Preferential-Use Boarding Facilities of various airlines. When this occurs, the Landlord shall first require the airline seeking to be accommodated (the "Requesting Airline") to coordinate directly with all airlines at the Airport to attempt to establish an adequate accommodation arrangement. If this attempt proves unsuccessful as determined by the Executive Director, the Executive Director shall provide a written notification to all airlines at the Airport of the Landlord's need to accommodate the proposed operations of the Requesting Airline (the "Accommodation Notice"). The purpose of this Accommodation Notice shall be to encourage the airlines at the Airport to develop a reasonable solution, acceptable to the Landlord, in its sole discretion, that

adequately addresses the Landlord's need to accommodate the proposed operations of the Requesting Airline.

16.5.3. After the Landlord provides the Accommodation Notice, the Tenant shall, within 30 days, advise the Landlord the extent to which it can accommodate the proposed operations of the Requesting Airline and must submit to the Landlord a written plan for accommodating the proposed operations of the Requesting Airline, including all proposed agreements and contracts required for such accommodation. Based on the plans received, the Landlord will determine, in its sole discretion, if and how the proposed operations of the Requesting Airline will be accommodated within the Tenant's Preferential-Use Boarding Facilities.

16.5.4. If the Landlord determines, in its sole discretion, that accommodating the proposed operations of the Requesting Airline can be reasonably, efficiently, and adequately accommodated, in part or whole, on the Tenant's Preferential-Use Boarding Facilities, the Landlord may, by written notice, advise the Tenant and the Tenant shall, on its own or in combination with other airlines, accommodate the proposed operations of the Requesting Airline in accordance with any reasonable plan developed by the Landlord, after joint consultation with both the Tenant and the Requesting Airline, provided, that such plan shall not cause the Tenant to unreasonably adjust its published schedule nor to adjust aircraft type and such accommodation shall only be required if the Requesting Airline can schedule its use of the Tenant's Preferential-Use Gates during Non-Active Periods (after such adjustments).

16.5.5. Six months prior to the Rent Commencement Date, the Tenant shall provide the Landlord an accommodation plan acceptable to the Landlord, on how Frontier Airlines, Spirit Airlines, Allegiant Air and Copa Airlines (such airlines, the "Displaced Airlines") shall be accommodated at the Airport. The accommodation of the Displaced Airlines at the Airport shall be the Tenant's responsibility. The Displaced Airlines shall not be subject to relocation until such time that the Landlord accepts the Tenant's accommodation plan. If, after the Lease Commencement Date, the Tenant determines that it has to relocate a Displaced Airline, the Landlord and the Tenant agree to enter into a separate written agreement for the reimbursement of relocation expenses for such Displaced Airline, which written agreement is subject to Board approval.

#### 16.6. Use of Preferential-Use Boarding Facilities by Other Airlines.

16.6.1. Generally. The following shall apply any time the Tenant accommodates other airlines in their Preferential-Use Boarding Facilities:

16.6.1.1. The Tenant shall be entitled to charge other airlines using its Preferential-Use Boarding Facilities on a monthly basis, for their reasonable share of the Tenant's total direct costs (including Base Rent, Terminal Expenses Additional Rent, Terminal Special Expenses Additional Rent, Boarding Bridges Additional Rent and maintenance costs), which are substantially related to such Preferential-Use Boarding Facilities, using standard and accepted accounting

principles, together with a not-to-exceed fifteen percent (15%) administrative charge. Charges to other airlines that are equal to or less than 125% of the Tenant's average cost should not be deemed unreasonable. The Executive Director shall have the right to periodically audit the Tenant's books and records, upon reasonable notice, with respect to the computation of the Tenant's charges to the other airline for the use of its Preferential-Use Boarding Facilities. The Tenant shall have the right to collect a security deposit in advance from the other airline using its Preferential-Use Boarding Facilities. Such security deposit shall not exceed the reasonably estimated charges for three (3) months. The Executive Director shall have the right to approve the form and content of the Tenant's agreements relating to the use by another airline of its Preferential-Use Boarding Facilities, which approval shall not be unreasonably withheld or denied.

16.6.1.2. The Tenant may require airlines being accommodated on the Tenant's Preferential-Use Boarding Facilities to agree in writing to indemnify the Tenant in the manner and to the extent required of the Tenant by the Landlord hereunder.

16.6.1.3. Any sublet, license or sublease of the Tenant's Demised Premises shall also be subject to the requirements of Section 12.

16.6.1.4. Ground Service and Passenger Service Companies. Airlines being accommodated on the Tenant's Preferential Use Boarding Facilities shall have the right to use any ground service companies on the ramp and passenger service companies in the Terminal (provided that such companies are authorized to operate at the Airport) and shall not be required to use the Tenant employees or Tenant's ground service or passenger service companies.

16.6.2. Accommodation of Requesting Airline. The following shall only apply when the Landlord requires the Tenant to accommodate a Requesting Airline pursuant to Section 16.5:

16.6.2.1. During such period of time that a Requesting Airline is using the Tenant's Preferential-Use Boarding Facilities as required by the Landlord pursuant to Section 16.5, the Tenant's indemnification of the Landlord as required under this Lease shall not extend to the use, occupancy and operations of the Requesting Airline at the Tenant's Preferential-Use Boarding Facilities, unless damage or injury is caused by or contributed by the Tenant, its officers, directors, employees, agents or invitees who have come upon the Tenant's Preferential-Use Boarding Facilities in connection with the Tenant's occupancy thereof.

16.6.2.2. The Landlord may require the Tenant to tow aircraft from the Passenger Terminal Apron Area adjacent to the Tenant's Preferential-Use Gate, if the Landlord requires the Tenant to accommodate a Requesting Airline on its Preferential Use Boarding Facilities pursuant to Section 16.5. "Passenger

Terminal Apron Area" shall mean those areas of the airfield co-located with the Tenant's Preferential Use Gate designated by the Executive Director for the parking of passenger aircraft and ramp equipment, and the loading and unloading of passenger aircraft, which areas are subject to change from time to time. The Landlord shall designate an area to which the aircraft is to be towed, and will make reasonable efforts to assign a reasonably convenient parking location. This obligation of the Tenant to tow any parked aircraft not engaged in an Active Loading or Active Unloading operations shall include, but not be limited to, any parked aircraft remaining overnight. This towing requirement shall not be invoked by the Landlord if the period of time between the completion of the Active Unloading and the commencement of the Active Loading periods for a turn-around aircraft operation is less than 90 minutes. The Tenant shall receive a credit in the amount to be mutually determined based on actual costs, per single direction tow as evidenced by third-party towing rates (which fee shall be subject to adjustment from time to time after consultation with the Tenant) from the Landlord whenever (1) the Tenant tows aircraft at the Landlord's direction from the Passenger Terminal Apron Area adjacent to the Tenant's Preferential-Use Gate to accommodate use by a Requesting Airline, and (2) a sublease between the Tenant and the Requesting Airline for use of the Tenant's Preferential Use Boarding Facilities is not in place. In the event the Tenant fails to remove any aircraft which the Landlord has directed the Tenant to tow under the provisions hereof, in an expeditious manner as determined by the Landlord in its sole discretion, then, in addition to all other rights and remedies included herein, the Landlord may, but shall not be obligated to, cause the removal of such aircraft without any liability to the Tenant, whereupon the Tenant shall pay to the Landlord (1) all costs thereof incurred by the Landlord plus a fifteen percent (15%) administrative fee, or (2) double the towing reimbursement fee set forth above, whichever is greater. In such case, the Tenant also agrees that, if the Landlord, or a competent, insured agent, moves the Tenant's aircraft (1) any claim for compensation against the Landlord and any of its officers or employees, for any loss or damage sustained to any such aircraft, or any part thereof, by reason of such removal is waived, and (2) the Tenant shall indemnify the Landlord and its officers and employees against all liability arising out of such removal of said aircraft.

16.7. Conversion of Preferential-Use Gates to Common-Use Gates.

16.7.1. If, after undertaking the accommodation procedures in Section 16.5 above, the Landlord determines, in its sole discretion, after taking into account the efficient and competitive operation of the Airport and the opportunities for making gates available elsewhere at the Airport through conversion or otherwise, that the options available for accommodating the flights of a Requesting Airline on the Tenant's Preferential-Use Boarding Facilities do not satisfy the reasonable operational requirements of the Requesting Airline, the Landlord may terminate the Tenant's first priority scheduling and preference on the Tenant's Preferential-Use Gates and convert, subject to a 90-day written notice, certain of the Tenant's Preferential-Use Gates, and other airlines'

preferential-use Gates as applicable, to common-use Gates and make the related premises adjustments discussed in Section 16.8 below, subject to the following:

16.7.1.1. The Tenant's scheduled activities on the Tenant's Preferential-Use Gates, combined with those of the Tenant's Landlord-approved subtenants, handled airlines, accommodated Requesting Airlines, alliance partner airlines, codeshare airlines, or flights of any aircraft operator where all seats on such flights are for the passengers of the Tenant, have, either (i) in the prior six (6) months using actual flight activity, not exceeded, or (ii) based on publically available published schedules, for the then forthcoming six (6) months, are projected by the Landlord to not exceed, the minimum utilization requirement established by the Executive Director in his or her sole discretion for conversion of preferential-use Gates to common-use Gates (such minimum utilization requirement, the "Minimum Utilization Requirement"). If and when the Tenant does not exceed one of the two standards described below, or any additional third standard adopted by the Landlord in its sole discretion after consultation with the Tenant and other airlines operating at the Airport, the Tenant shall be deemed to have not met the Minimum Utilization Requirement.

16.7.1.2. The number of the Tenant's Preferential-Use Gates to be converted by the Landlord to common-use Gates will be the number required to accommodate the Requesting Airline's need as reasonably determined by the Landlord but no more than is required to result in the Tenant exceeding the Minimum Utilization Requirement after the conversion process is completed. The determination as to which of the Tenant's Preferential-Use Gates are to be converted by the Landlord to common-use Gates shall be reasonably determined by the Landlord, after reviewing a gate proposal from the Tenant and having a consultation with the Tenant, based on operational efficiencies of the Airport including the Tenant's and Requesting Airline's goal for contiguous operations, aircraft gauge requirements and the configuration of available facilities, passenger convenience and public safety.

16.7.1.3. The Executive Director may issue the standards that comprise the Minimum Utilization Requirement and the minimum performance levels required for each standard from time to time in its sole discretion subject to the requirement that (a) the Landlord shall have reasonably consulted on the proposed standards with the Tenant and other airlines subject to similar preferential-use Gate conversion and related premises deletion provisions; (b) the Landlord shall, at a minimum, have two distinct standards in the Minimum Utilization Requirement that include, separately, (i) an average seats per gate per day standard and (ii) an average aircraft turns per gate per day standard; and (c) the Landlord's measurement of the Tenant's performance relative to these standards shall be based on an evaluation of actual or published schedules over a reasonable duration of time. However, the Tenant recognizes that when establishing the method for calculating the average aircraft turns per gate per day standard that is part of the Minimum Utilization Requirement, the Landlord may

discount the value of the contribution of aircraft turns for aircraft less than 110 seats so long as the Landlord does not discount aircraft with greater than 65 (but less than 110 seats) seats by more than fifty percent (50%) and aircraft with 65 seats or less by more than seventy-five percent (75%).

16.7.1.4. The Landlord shall not initiate the process for converting the Tenant's Preferential-Use Gates to common-use Gates pursuant to this Section 16.7 if the purpose of such conversion is solely to accommodate the flights of another airline having a lease with the Landlord at the Airport that provides such airline with Gates that are either (a) exclusive-use, or (b) preferential-use and in both cases not subject to conversion to common use based on the Minimum Utilization Requirement.

16.8. Deletion of Demised Premises Upon Conversion of Preferential-Use Gates to Common-Use Gates. The efficient use of the terminals in the public interest requires that certain critical facilities in the Demised Premises (consisting of facilities such as ticket counters, back office space, holdrooms and operations space) be available for use to airlines that from time to time can make the most productive use of such critical facilities. The Landlord shall therefore have the right to proportionately reduce the Tenant's Demised Premises relative to the number of the Tenant's Preferential-Use Gates that have been converted to common-use Gates pursuant to Section 16.7. Unless otherwise agreed to by the Landlord and the Tenant, the Landlord's deletion of the Demised Premises (such deleted space, the "Converted Demised Premises") shall be based on the following:

16.8.1. For each Preferential-Use Gate converted to a common-use Gate, the Landlord shall have the right to delete from the Demised Premises up to (i) two (2) ticket agent positions comprising four (4) customer service positions; (ii) 500 square feet of back office space, (iii) the adjacent holdroom, and (iv) 500 square feet of operations space which includes space required for maintaining and servicing the aircraft and flight ("Operations Space"). In determining the number of agent positions and other space to be deleted from the Demised Premises in connection with the conversion of a Preferential-Use Gate to a common-use Gate, the Landlord shall give reasonable consideration to the availability of vacant agent positions, back office space, and operations space elsewhere in the Terminal.

The Landlord shall deliver to the Tenant a notice electing to remove the Converted Demised Premises from the Demised Premises on a date specified in the notice and not less than 60 days following the date on which the notice is delivered. If the Landlord elects to delete the Converted Demised Premises in accordance with the provisions of this Section 16.8, (i) the Tenant shall surrender the Converted Demised Premises on the date specified in the Landlord's notice of election, in the condition required by the provisions of this Lease, (ii) the Converted Demised Premises shall be eliminated from the Demised Premises, and Exhibit A shall be amended accordingly by the Executive Director without the prior approval or later ratification by the Board or the City Council, (iii) the Tenant's Use Share and the Tenant's Special Use Share shall be recalculated after subtracting the Rentable Area or Usable Area, as applicable, of the Converted Demised Premises from the then Rentable Area or Usable Area, as applicable, of the

Demised Premises immediately before the deletion of Converted Demised Premises, (iv) the Base Rent shall be recalculated after subtracting the square footage of the Converted Demised Premises from the then square footage of the Demised Premises, (v) any other additional rent payable for any period from and after the date of the deletion of Converted Demised Premises shall be appropriately adjusted, and (vi) any necessary proration of Base Rent, Terminal Expenses Additional Rent, Airport Infrastructure Additional Rent, and all other additional rent shall be made as if, for the Demised Premises, the date of the deletion of Converted Demised Premises were the last day of the Term, and (vii) the Tenant shall be released from all liability or obligations hereunder relating to the Converted Demised Premises except such liabilities or obligations that occurred during the Tenant's occupancy and which expressly survive termination of this Lease.

16.9. Gate Scheduling Protocols.

16.9.1. The Executive Director, in his or her sole discretion, may from time to time issue protocols for the assignment of flights on Gates designated as either preferential-use or common-use in the Terminals (the "T6 Scheduling Protocols"). The T6 Scheduling Protocols may be a subset of an Airport-wide scheduling protocols. The Tenant agrees that its access to common-use and preferential-use Gates in the Terminals, including the Tenant's Preferential-Use Gates, after the Lease Commencement Date, shall be subject to the T6 Scheduling Protocols, issued or amended from time to time by the Executive Director in his or her sole discretion. The Landlord agrees:

16.9.1.1. To consult with the Tenant before adopting any T6 Scheduling Protocols;

16.9.1.2. To provide the Tenant with thirty (30) days to comment on the proposed language of any such T6 Scheduling Protocol, as well as on the proposed language in any amendment thereto; and

16.9.1.3. Not to employ the T6 Scheduling Protocols as an independent means to convert any of Tenant's Preferential-Use Gates to common-use Gates as Section 16.7 hereof shall govern with respect to any such conversion; and

16.9.1.4. Subject to the provisions of Section 16, to incorporate into the T6 Scheduling Protocols, a first scheduling priority for the Tenant's advanced published schedules, *provided, however*, that if the Tenant's operations result in the Tenant's advanced published schedules being deemed unreliable as determined by the Executive Director in his or her sole discretion, this Section 16.9.1.4 shall not be applicable to such advanced published schedules.

16.9.2. The Tenant agrees that any T6 Scheduling Protocols issued by the Executive Director may include or be based on, but need not be limited to, scheduling preferences for:

16.9.2.1. Aircraft arriving from international origins, departing to international destinations, and the domestic departure or arrival of such aircraft (collectively, "International Aircraft");

16.9.2.2. Large Aircraft;

16.9.2.3. Airlines having no preferential-use Gates assigned for their use; or

16.9.2.4. Airlines demonstrating a higher overall utilization of preferential-use Gates assigned to such airline and common-use Gates in use by such airline, as measured in the sole discretion of the Landlord, by scheduled aircraft seat capacity for a stated period, such period to be determined by the Landlord in its sole discretion. In the computation of utilization, any such T6 Scheduling Protocols also may, but is not required to, include the number of each applicable airline's aircraft seats where the passengers for such aircraft are loaded or unloaded using a remote terminal facility at the Airport, but transit through a terminal in the Central Terminal Area at the Airport to reach such a remote terminal facility.

16.9.3. Gate 66. The Tenant agrees that any T6 Scheduling Protocols issued by the Executive Director shall be subject to the Landlord's need to accommodate the terms of the Settlement Agreement dated February 18, 2009 between United Airlines, Inc. and the Landlord until January 1, 2012. Further, the Landlord acknowledges that notwithstanding that Gate No. G66 has FIS capability, so long as the portal to the FIS remains operable for the bussing and processing of passengers from aircraft that are not parked at Gate No. 66, the scheduling preference for International Aircraft shall not apply to Gate No. G66.

16.9.5. In connection with any T6 Scheduling Protocols in place from time to time, when determining scheduling preferences for International Aircraft or Large Aircraft for preferential-use Gates in the Terminals, the Tenant acknowledges that the Landlord may consider airlines' utilization of their respective International Aircraft or Large Aircraft Gates in their respective leaseholds, including the Tenant's. Any T6 Scheduling Protocols may assign different priorities to these and other aircraft based on operational considerations and need not prioritize them equally. In addition, in implementing such T6 Scheduling Protocols, the Landlord shall not be required to give a scheduling preference or prioritization on the basis of historical use or precedence as a determining principal.

16.10. Establishment of Preferential-Use Requirements. During the Term, the Landlord may, from time to time, as part of the T6 Scheduling Protocols, establish one or more standards and minimum performance levels for such standards (the "Preferential-Use Requirement") to allow the Tenant and other airlines at the Airport to request that a common-use Gate be converted for use as a preferential-use Gate. Once the Preferential-Use Requirement is established by the Landlord, in its sole discretion, the Tenant may request that the Landlord

convert one or more common-use Gates to preferential-use Gates, including, but not limited to, Gates that have previously been converted to common-use Gates pursuant to Section 16.7. Following such a request from the Tenant, the Landlord shall give reasonable consideration to the Tenant's request in the context of current and forecasted traffic, demand for facilities from various airlines at the Airport, the demand-supply relationship of aircraft operations and available common-use Gates, and other factors affecting the efficient and competitive operation of the Airport. In such context, the Landlord shall also give reasonable consideration to any related request for support space associated with the operation of such Gates. Notwithstanding the right of the Tenant to request the conversion of one or more common-use Gates to preferential-use Gates, the Landlord shall be under no obligation to approve such a request for such conversion under this Agreement. Further, if the Landlord approves the Tenant's request for such a conversion pursuant to this section, in order to minimize operational inconveniences for airlines that then use or have had use of such Gate, subject to the conversion request, the Landlord may place transitional conditions and limitations on the Tenant's scheduling rights as part of any approval of additional preferential-use Gates.

17. End of Term.

17.1. Surrender. Upon the expiration of the Term or earlier termination of this Lease, the Tenant will quit and surrender to the Landlord the Tenant Areas, broom clean, in good order and in the condition required by the provisions of this Lease, ordinary wear and tear, casualty damage governed by Section 10 and damage which the Landlord is obligated to repair under this Lease in each case excepted.

17.2. Holdover. If the Tenant remains in possession of the Tenant Areas after the termination of this Lease (whether at the end of the Term or otherwise) without the execution of a new lease, the Tenant, or without being subject to the Tariff, then without derogation of any other rights of the Landlord hereunder, Tenant shall be deemed to be occupying the Demised Premises as a tenant from month to month, at a monthly rental equal to 150% of the Base Rent and all additional rent payable for the last month of the Term, and subject to all of the other terms of this Lease. Acceptance by the Landlord of holdover rent after the termination of this Lease shall not be deemed to create or evidence a renewal of this Lease. The foregoing provisions of this Section 17.2 are not intended to limit or otherwise modify the Landlord's right of re-entry or any other right of the Landlord under this Lease or as otherwise provided by law, and shall not affect any right that the Landlord may otherwise have to recover damages from the Tenant for loss or liability incurred by the Landlord resulting from the Tenant's failure to timely surrender the Tenant Areas. Nothing contained in this Section 17 shall be construed as a consent by the Landlord to any holding over by the Tenant, and the Landlord expressly reserves the right to require the Tenant to surrender possession of the Tenant Areas to the Landlord upon the expiration or earlier termination of the Term as provided in this Lease. Notwithstanding anything to the contrary contained in the Lease, imposition of the Tariff following termination of this Lease (whether at the end of the Term or otherwise) after thirty (30 ) days' advance written notice, shall be at the sole discretion of the Landlord.

18. Quiet Enjoyment. The Landlord covenants with the Tenant that, upon the Tenant paying the Base Rent and all additional rent and observing and performing all the other terms, covenants and conditions on the Tenant's part to be observed and performed under this Lease,

the Tenant may peaceably and quietly enjoy the Demised Premises (subject, however, to the terms and conditions of this Lease) free of interference by anyone claiming by, through or under the Landlord.

19. Notices. Any notice or other communication required or permitted to be given, rendered or made by either party to the other, by any provision of this Lease or by any applicable law or requirement of public authority, shall (unless otherwise expressly set forth herein) be in writing and shall be deemed to have been properly given, rendered or made, if delivered by hand or received by certified mail, postage prepaid, return receipt requested, or delivered by nationally recognized overnight courier service, delivery service prepaid, or delivered by telecopier or electronic mail, in any case addressed as follows:

If to the Landlord:

Department of Airports  
1 World Way  
Post Office Box 92216  
Los Angeles, California 90009-2216  
Attention: Executive Director

Telecopier No. (424) 646-0523

Electronic Mail address: [CDG-Tenant-Notices@lawa.org](mailto:CDG-Tenant-Notices@lawa.org)

with a copy to:

Department of Airports  
1 World Way  
Post Office Box 92216  
Los Angeles, California 90009-2216  
Attention: City Attorney

Telecopier No. (424) 646-9617

If to the Tenant:

to the addresses shown on the Basic Information Schedule under the heading "Tenant Addresses for Notices".

The Landlord or the Tenant may from time to time, by notice, designate a different or additional address within the United States or attention designation for communications intended for it. Any notice or other communication given by certified mail shall be deemed given as of the date of delivery as indicated on the return receipt, or when the delivery is first refused. Any notice or other communication delivered by a nationally recognized overnight courier service shall be deemed delivered on the Business Day following the day upon which the notice or other communication was delivered to the courier. Any notice or other communication delivered by telecopier shall be deemed delivered when the transmission is actually received, if received

during normal business hours, otherwise the notice or other communication, if received, shall be deemed delivered on the following Business Day. Any notice or other communication may be given on behalf of the Landlord or the Tenant by their respective attorneys, provided that the attorneys represent their capacity as such in the notice or other communication.

20. Utilities.

20.1. Tenant Responsible. The Tenant shall be responsible for the payment of all costs of furnishing utilities to the Demised Premises (including all charges for water, gas, heat, light, power, telephone, and other utility service used by the Tenant in connection with its use of the Demised Premises), including deposits, connection fees and meter installation and rentals required by the supplier of any utility service, and the costs of all equipment and improvements necessary for connecting the Demised Premises to utility service facilities.

20.2. Landlord Not Liable. The Landlord will not be liable to the Tenant for any failure, defect, impairment or deficiency in the supply of any utility service furnished to the Demised Premises or in any system supplying the service. The Landlord shall provide reasonable notice to the Tenant prior to the interruption of such services, and shall make good faith efforts not to interrupt such services.

20.3. Interruptions of Service. The Landlord reserves the right to temporarily interrupt the services provided by the Terminal's heating, ventilation, air conditioning, elevator, plumbing and electrical systems or other Terminal systems when necessary by reason of accident or emergency or for repairs, alterations, replacements or improvements.

21. Rights of Flight. The Landlord reserves, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the Terminal, including the right to cause any noise and vibration inherent in the operation of any aircraft through the airspace or landing at, taking off from, or operating at the Airport. The Tenant will not to make any claim against the Landlord under any theory of recovery for any interference with the Tenant's use and enjoyment of the Tenant Areas that may result from noise or vibration emanating from the operation of aircraft at the Airport.

22. Airport and Terminal Management.

22.1. Authority of Landlord in Terminal Common Areas, Vertical Areas, Airline Joint Use Areas and International Joint Use Areas. The Tenant acknowledges that the Airport is a public facility essential to regional and national transport and economy and that the Landlord is a political subdivision with a public responsibility for the proper functioning of the Airport and the Terminal. In order to carry out its responsibilities (including its obligations to comply with the requirements of the Federal Aviation Administration, the U.S. Transportation Security Administration, and other Legal Requirements), the Landlord must therefore have broad power to regulate activities in the Airport and in the areas of the Terminal not part of the Demised Premises. Without limiting any other specific provisions of this Lease, the Landlord shall have the right to adopt from time to time rules and regulations, and may make other specific orders, for the conduct of operations in the Airline Joint Use Areas, the International Joint Use Areas, the Terminal Common Areas, and the Vertical Areas. The Tenant shall at all times comply with

any rules and regulations from time to time so adopted and any specific orders so made by the Landlord (and of which the Tenant shall have received a copy in writing), provided only that the rules and regulations are adopted, and the orders made, by the Landlord in the good faith discharge of its public responsibilities and do not unreasonably discriminate against the business operations of the Tenant in the Tenant Areas.

22.2. Major Changes. The Landlord may make any change to the Terminal or the Airport that the Landlord determines may be necessary or desirable. The Tenant acknowledges that the Landlord may undertake various improvements to the Airport and the Terminal during the Term, and that the construction of the improvements may interfere with the Tenant's operations at the Terminal. The Landlord and the Tenant will cooperate in good faith to address the construction requirements and to attempt to mitigate the effects on the Tenant's operations.

23. No Landlord's Representations. The Tenant has examined and agrees to accept the Demised Premises and the Terminal "as is", in their condition and state of repair existing on the date of the Tenant's execution and delivery of this Lease. The Landlord makes no representations, express or implied, as to the current condition of the Terminal, the Airport or the Demised Premises, or the equipment and systems serving the Terminal, the Airport or the Demised Premises. To the maximum extent permitted by law, the Tenant waives the right to make repairs at the expense of the Landlord and the benefit of the provisions of Sections 1941 and 1942 of the California Civil Code.

24. Communications Equipment and Antennae. The Tenant has no right to install or use any telecommunications equipment or antennae on the roof or exterior of the Terminal, unless (a) the installation and use are directly related to the conduct of the Tenant's business at the Demised Premises and are in full compliance with the Landlord's permit process and telecommunications policies, as established in the discretion of the Landlord and from time to time in effect, and (b) the installation is effected in compliance with the requirements of Section 4. The Tenant will not license, sublease or in any other manner permit any other Person to use any telecommunications equipment or antennae installed by the Tenant at the Terminal. The Landlord shall have the right, without compensation to the Tenant, to install or use telecommunications equipment or antennae on the roof or exterior of the Demised Premises and to install and attach cables, wires and conduits on, over or under the Demised Premises in connection with telecommunications equipment or antennae, or to license or otherwise permit others to do so.

25. Signs and Advertising Materials. Except as set forth in this Section 25, the Tenant will not place any signs or advertising materials in any location at the Terminal without the prior consent of the Landlord, which consent may be withheld in the discretion of the Landlord. Any request for the approval of identification signs for the Tenant's operations shall be accompanied by illustrative drawings and design dimensions together with information about the type of identification signs proposed by the Tenant and the locations in which the signs are proposed to be installed. The Tenant will comply with any conditions to the installation or use of signs to which the Landlord may make its consent subject. The Tenant will keep all ticket counter space used by the Tenant and any associated ticket lifts and podiums free of all signs, advertising materials, credit card application dispensing units, posters and banners, unless consented to in writing by the Landlord. The Landlord may without notice remove any

unauthorized signs or advertising materials, and may store them at the Tenant's expense, and may dispose of them if they are not promptly claimed by the Tenant after notice from the Landlord.

26. Other Tenant Covenants.

26.1. Environmental Matters. The Tenant's activities at or about the Tenant Areas and the Application of all Hazardous Materials by the Tenant, its employees, agents, contractors, or subcontractors, shall comply at all times with all Environmental Requirements. Except for conditions existing before the original occupancy of the Tenant Areas by the Tenant, including fuel contamination in soils in and around the fuel hydrant systems, in the case of any the spill, leak, discharge, release or improper storage of any Hazardous Materials on the Demised Premises or contamination of the Demised Premises with Hazardous Materials by the Tenant, its employees, agents, contractors, or subcontractors, (or by the Tenant or its employees, agents, contractors, or subcontractors onto any other property at the Airport), the Tenant will make or cause to be made any necessary repairs or corrective actions as well as to clean up and remove any spill, leakage, discharge, release or contamination, all in accordance with applicable Environmental Requirements. The Landlord will utilize environmental reports prepared by both the Landlord's environmental contractors and the Tenant's environmental contractors in determining the conditions existing in the Tenant Areas prior to the Tenant's occupancy of the Demised Premises, provided, however, that the Tenant's environmental reports must have been prepared by entities certified by the appropriate governmental agency for the entity's field of expertise using ASTM or other nationally recognized testing standards. In the event of material differences between Landlord and Tenant environmental reports, the Landlord, at its sole discretion, may conduct additional environmental investigation to resolve material differences, and will make the final determination of the conditions existing in the Tenant Areas prior to the Tenant's occupancy of the Demised Premises. At the expiration or earlier termination of the Term, the Tenant will promptly remove from the Tenant Areas all Hazardous Materials Applied by the Tenant at the Tenant Areas. If the Tenant installs or uses underground storage tanks, above-ground storage tanks, pipelines, or other improvements on the Tenant Areas for the storage, distribution, use, treatment, or disposal of any Hazardous Materials, the Tenant will, upon the expiration or earlier termination of the Term, remove or clean up such improvements, at the election of the Landlord, at the sole expense of the Tenant and in compliance with all Environmental Requirements and the reasonable directions of the Landlord. The Tenant shall be responsible and liable for the compliance with all of the provisions of this Section 26.1 by the Tenant's officers, employees, contractors, assignees, sublessees, agents and invitees. The Tenant will, at its expense, promptly take all actions required by any governmental agency in connection with the Tenant's Application of Hazardous Materials at or about the Tenant Areas, including inspection and testing, performing all cleanup, removal and remediation work required for those Hazardous Materials, complying with all closure requirements and post-closure monitoring, and filing all required reports or plans. All of the foregoing work and all Application of Hazardous Materials shall be performed in a good, safe and workmanlike manner by personnel qualified and licensed to undertake the work and in a manner that will not materially interfere with the Landlord's use, operation and leasing of the Terminal or the Airport and other tenants' quiet enjoyment of their premises. The Tenant will deliver to the Landlord before delivery to any agency, or promptly after receipt from any agency, copies of all permits, manifests, closure or remedial action plans, notices, and all other documents relating to the Tenant's Application of

Hazardous Materials at or about the Tenant Areas. The Tenant will keep the Landlord fully informed of its Application of Hazardous Materials, and, if the Tenant Applies Hazardous Materials, the Landlord may engage one or more consultants to review all permits, manifests, remediation plans and other documents related to the Application of the Hazardous Materials. The Landlord's reasonable out-of-pocket costs of engaging the consultants will be paid by the Tenant.

26.2. Security. The Tenant will fully comply with all Legal Requirements relating to airfield and airport security. The Tenant will maintain and keep in good repair that portion of the Airport perimeter fence, including gates and doors, that are in the Demised Premises or controlled by the Tenant. The Tenant will comply fully with applicable provisions of the Transportation Security Administration Regulations, 49 CFR Sections 1500 through 1550 (and 49 CFR Part 129), including the establishment and implementation of procedures acceptable to the Landlord to control access from the Demised Premises to air operation areas in accordance with the Airport Security Program required by 49 CFR Sections 1500 through 1550. The Tenant will exercise exclusive security responsibility for the Demised Premises and, if the Tenant is an air carrier, will do so under the Tenant's Transportation Security Administration approved Air Carrier Standard Security Program used in accordance with 49 CFR Sections 1510, 1540 and 1546. Without limiting the generality of the foregoing, the Tenant will keep gates and doors in the Demised Premises and that permit entry to restricted areas at the Airport locked at all times when not in use or under the Tenant's constant security surveillance. The Tenant will report gate or door malfunctions that permit unauthorized entry into restricted areas to the Landlord's operations center without delay, and the Tenant will maintain the affected gate or door under constant security surveillance until repairs are affected by the Tenant or the Landlord and the gate or door is properly secured. The Tenant will pay all civil penalties levied by the Transportation Security Administration for violation of Transportation Security Administration Regulations pertaining to security gates or doors in the Demised Premises or otherwise controlled by the Tenant.

26.3. Business Tax Registration. The Tenant represents that it has registered its business with the office of the City Clerk of the City of Los Angeles and has obtained and presently holds a Business Tax Registration Certificate, or a Business Tax Exemption Number, required by the Business Tax Ordinance (Article I, Chapter 2, Sections 21.00 and following, of the Municipal Code of the City of Los Angeles) The Tenant will maintain, or obtain as necessary, all certificates required of the Tenant under that ordinance, and shall not allow any such certificate to be revoked or suspended during the Term

26.4. Noise Abatement Procedures. The Tenant will comply with the Landlord's noise abatement rules and regulations as adopted from time to time by the Board. Under the requirements of the 1993 LAX Noise Variance and in order to limit the use of auxiliary power units, the Tenant (if the Tenant is an air carrier and if the Terminal is at Los Angeles International Airport) will provide a sufficient number of ground power units at each gate and maintenance area used by the Tenant's aircraft at the Terminal. This section applies to the extent it (i) is applicable to the Tenant's operations at the Demised Premises, and (ii) does not conflict with any Legal Requirement.

26.5. Nondiscrimination and Equal Employment Practices.

26.5.1. Federal Non-Discrimination Provisions. (a) The Tenant for itself, its successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained, or otherwise operated on the Demised Premises or the other Tenant Areas, for a purpose for which a Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, the Tenant will maintain and operate such facilities and services in compliance with all other requirements imposed pursuant to 49 CFR, Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

(b) The Tenant for itself, its successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that: (1) no person on the grounds of race, color or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over, or under the land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that the Tenant will use the Demised Premises and the other Tenant Areas in compliance with all other requirements imposed by or pursuant to 49 CFR, Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

(c) The Tenant assures that it will comply with pertinent statutes, Executive Orders, and such rules as are promulgated to assure that no person shall, on the grounds or race, creed, color, national origin, sex, age, or handicap be excluded from participating in any activity conducted with or benefiting from Federal assistance. This provision obligates the Tenant or its transferee for the period during which Federal assistance is extended to the airport program, except where Federal assistance is to provide, or is in the form of personal property or real property or interest therein or structures or improvements thereon. In these cases, the provision obligates the party or any transferee for the longer of the following periods: (a) the period during which the property is used by the sponsor or any transferee for a purpose for which Federal assistance is extended, or for another purpose involving the provision of similar services or benefits; or (b) the period during which the airport sponsor or any transferee retains ownership or possession of the property.

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

(e) The Tenant will insert the provisions found in clauses (c) and (d) of this Section 26.5.1 in any sublease, assignment, license, or permit by which the Tenant grants a right or privilege to any Person to render accommodations or services to the public at the Tenant Areas.

26.5.2. City Non-Discrimination Provisions. (a) Non-Discrimination In Use Of Premises. There shall be no discrimination against or segregation of any person, or group of persons, on account of race, religion, national origin, ancestry, sex, sexual orientation, age, physical handicap, marital status, domestic partner status, or medical condition in the lease, sublease, transfer, use, occupancy, tenure, or enjoyment of the Tenant Areas or any part of the Tenant Areas or any operations or activities conducted on the Demised Premises or any part of the Tenant Areas. Nor shall the Tenant or any person claiming under or through the Tenant establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, subtenants, or vendees of the Tenant Areas. Any sublease or assignment that may be permitted under this Lease shall also be subject to all non-discrimination clauses contained in this Section 26.5.2.

(b) Non-Discrimination In Employment. During the Term, the Tenant agrees and obligates itself in the performance of this Lease not to discriminate against any employee or applicant for employment because of the employee's or applicant's race, religion, national origin, ancestry, sex, sexual orientation, age, physical handicap, marital status, domestic partner status, or medical condition. The Tenant will take affirmative action to insure that applicants for employment are treated, during the Term, without regard to the aforementioned factors and will comply with the affirmative action requirements of the Los Angeles Administrative Code, Sections 10.8, *et seq.*, or any successor ordinances or law concerned with discrimination.

(c) Equal Employment Practices. If the total payments made to the Landlord under this Lease are \$1,000 or more, this provision shall apply. During the performance of this Lease, the Tenant will comply with Section 10.8.3 of the Los Angeles Administrative Code ("Equal Employment Practices"), a copy of which is attached hereto for convenience as Exhibit F. By way of specification but not limitation, under Sections 10.8.3.E and 10.8.3.F of the Los Angeles Administrative Code, the failure of the Tenant to comply with the Equal Employment Practices provisions of this Lease may be deemed to be a material breach of this Lease. No such finding shall be made or penalties assessed except upon a full and fair hearing after notice and an opportunity to be heard has been given to the Tenant. Upon a finding duly made that the Tenant has failed to comply with the Equal Employment Practices provisions of this Lease, this Lease may be forthwith terminated, cancelled or suspended.

(d) Affirmative Action Program. If the total payments to the Landlord under this Lease are \$100,000 or more, this provision shall apply. During the performance of this Lease, the Tenant will comply with Section 10.8.4 of the Los Angeles Administrative Code ("Affirmative Action Program"), a copy of which is attached hereto for convenience as Exhibit G. By way of specification but not limitation, under Sections 10.8.4.E and 10.8.4.F of the Los Angeles Administrative Code, the failure of the Tenant to comply with the Affirmative Action Program provisions of this Lease may be deemed to be a material breach of this Lease. No such finding shall be made or penalties assessed except upon a full and fair hearing after notice and an opportunity to be heard has been given to the Tenant. Upon a finding duly made that the Tenant has failed to comply with the Affirmative Action Program provisions of this Lease, this Lease may be forthwith terminated, cancelled or suspended.

26.6. Taxes, Permits and Licenses. The Tenant will pay any and all taxes of whatever character that may be levied or charged upon the Demised Premises, or upon the Tenant's

improvements, fixtures, equipment, or other property thereon or upon the Tenant's use thereof. The Tenant will also pay all license or permit fees necessary or required by law or regulation for the conduct of the Tenant's business or use of the Tenant Areas. By executing this Lease and accepting the benefits hereof, a property interest in the nature of a "possessory interest" may be created in the Tenant. If such a possessory interest is deemed to be created, the Tenant, as the party in whom the possessory interest is vested, will be subject to the payment of the property taxes levied upon the possessory interest. The Tenant may contest the validity and applicability of any taxes or fees, and during the period of any lawful contest, the Tenant may refrain from making, or direct the withholding of, any such payment without being in breach of the provisions of this Section 26.6. Upon a final determination in which the Tenant is held responsible for such taxes or fees, the Tenant will promptly pay the required amount plus all legally imposed interest, penalties and surcharges. If all or any part of such taxes, fees, penalties or surcharges are refunded to the Landlord, the Landlord will remit to the Tenant such sums to which the Tenant is legally entitled.

#### 26.7. Living Wage Ordinance.

26.7.1. General Provisions; Living Wage Policy. This Lease is subject to the Living Wage Ordinance ("LWO"), Section 10.37, *et seq.*, of the Los Angeles Administrative Code, a copy of which is attached hereto for convenience as Exhibit H. The LWO requires that, unless specific exemptions apply, any employees of tenants or licensees of property of the City of Los Angeles who render services on the leased premises or licensed premises are covered by the LWO if any of the following applies: (1) the services are rendered on premises at least a portion which are visited by substantial numbers of the public on a frequent basis, (2) any of the services could feasibly be performed by City of Los Angeles employees if the awarding authority had the requisite financial and staffing resources, or (3) the designated administrative agency of the City of Los Angeles has determined in writing that coverage would further the proprietary interests of the City of Los Angeles. Employees covered by the LWO are required to be paid not less than a minimum initial wage rate, as adjusted each year. The LWO also requires that employees be provided with at least 12 compensated days off per year for sick leave, vacation, or personal necessity at the employee's request, and at least ten additional days per year of uncompensated time under Section 10.37.2(b). The LWO requires employers to inform employees making less than twelve dollars per hour of their possible right to the federal Earned Income Tax Credit and to make available the forms required to secure advance Earned Income Tax Credit payments from the employer under Section 10.37.4. The Tenant will permit access to work sites for authorized representatives of the City of Los Angeles to review the operation, payroll, and related documents, and to provide certified copies of the relevant records upon request by the City of Los Angeles. Whether or not subject to the LWO, the Tenant will not retaliate against any employee claiming non-compliance with the provisions of the LWO, and, in addition, under Section 10.37.6(c), the Tenant will comply with federal law prohibiting retaliation for union organizing.

26.7.2. Living Wage Coverage Determination. An initial determination has been made that this Lease is a public lease under the LWO, and that it is not exempt from coverage by the LWO. Determinations as to whether this Lease is a public lease or license covered by the LWO, or whether an employer or employee are exempt from coverage under the LWO are not final, but are subject to review and revision as additional facts are examined and other

interpretations of the law are considered. In some circumstances, applications for exemption must be reviewed periodically. The City of Los Angeles will notify the Tenant in writing about any redetermination by the City of Los Angeles of coverage or exemption status. To the extent the Tenant claims non-coverage or exemption from the provisions of the LWO, the burden shall be on the Tenant to prove the non-coverage or exemption.

26.7.3. Compliance. If the Tenant is not initially exempt from the LWO, the Tenant will comply with all of the provisions of the LWO, including payment to employees at the minimum wage rates, effective on the Lease Commencement Date. If the Tenant is initially exempt from the LWO, but later no longer qualifies for any exemption, the Tenant will, at such time as the Tenant is no longer exempt, comply with the provisions of the LWO and execute the then currently used Declaration of Compliance Form, or such form as the LWO requires. Under the provisions of Section 10.37.6(c) of the Los Angeles Administrative Code, violation of the LWO shall constitute a material breach of this Lease and the Landlord shall be entitled to terminate this Lease and otherwise pursue legal remedies that may be available, including those set forth in the LWO, if the City of Los Angeles determines that the Tenant violated the provisions of the LWO. The procedures and time periods provided in the LWO are in lieu of the procedures and time periods provided elsewhere in this Lease. Nothing in this Lease shall be construed to extend the time periods or limit the remedies provided in the LWO.

26.8. Service Contractor Workers Retention Ordinance. This Lease may be subject to the Service Contractor Worker Retention Ordinance ("SCWRO"), Section 10.36, *et seq.*, of the Los Angeles Administrative Code, a copy of which is attached for convenience as Exhibit I. If applicable, the Tenant must also comply with the SCWRO which requires that, unless specific exemptions apply, all employers under contracts that are primarily for the furnishing of services to or for the City of Los Angeles and that involve an expenditure or receipt in excess of \$25,000 and a contract term of at least three months shall provide retention by a successor contractor for a 90-day transition period of the employees who have been employed for the preceding twelve 12 months or more by the terminated contractor or subcontractor, if any, as provided for in the SCWRO. Under the provisions of Section 10.36.3(c) of the Los Angeles Administrative Code, the City of Los Angeles has the authority, under appropriate circumstances, to terminate this Lease and otherwise pursue legal remedies that may be available if the City of Los Angeles determines that the Tenant violated the provisions of the SCWRO.

26.9. Child Support Orders. This Lease is subject to Section 10.10, Article I, Chapter 1, Division 10 of the Los Angeles Administrative Code related to Child Support Assignment Orders, a copy of which is attached for convenience as Exhibit J. Under this Section, the Tenant (and any subcontractor of the Tenant providing services to the Landlord under this Lease) will (1) fully comply with all State and Federal employment reporting requirements for the Tenant's or the Tenant's subcontractor's employees applicable to Child Support Assignments Orders; (2) certify that the principal owners of the Tenant and applicable subcontractors are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (3) fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230, *et seq.*; and (4) maintain compliance throughout the Term. Under Section 10.10(b) of the Los Angeles Administrative Code, failure of the Tenant or an applicable subcontractor to comply with all applicable reporting requirements or to implement lawfully served Wage and

Earnings Assignment Orders and Notices of Assignment or the failure of any principal owners of the Tenant or applicable subcontractors to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default of this Lease subjecting this Lease to termination where the failure shall continue for more than 90 days after notice of the failure to the Tenant by the Landlord (in lieu of any time for cure provided elsewhere in this Lease).

26.10. Visual Artists' Rights Act. The Tenant will not install, or cause to be installed, any work of art subject to the Visual Artists' Rights Act of 1990 (as amended), 17 U.S.C. §106A, *et seq.*, or California Code Section 980, *et seq.*, (collectively, "VARA") on or about the Tenant Areas without first obtaining a written waiver from the artist of all rights under VARA, satisfactory to the Landlord and approved as to form and legality by the City Attorney. The waiver shall be in full compliance with VARA and shall name the Landlord as a party for which the waiver applies. The Tenant will not install, or causing to be installed, any piece of artwork covered under VARA at the Tenant Areas without the prior approval and waiver of the Landlord. Any work of art installed at the Tenant Areas without such prior approval and waiver shall be deemed a trespass, removable by the Landlord, upon three days' written notice, with all costs, expenses, and liability therefor to be borne exclusively by the Tenant.

26.11. Contractor Responsibility Program. The Tenant will comply with the provisions of the Contractor Responsibility Program adopted by the Board. The rules, regulations, requirements and penalties of the Contractor Responsibility Program and the Pledge of Compliance Form are attached to this Lease as Exhibit K.

26.12. First Source Hiring Program. The Tenant will comply with the provisions of the First Source Hiring Program adopted by the Board. The rules, regulations, requirements, and penalties of the First Source Hiring Program are attached to this Lease as Exhibit L.

26.13. Equal Benefits Ordinance.

26.13.1. Unless otherwise exempt in accordance with the provisions of the Equal Benefits Ordinance ("EBO"), the Tenant certifies and represents that the Tenant will comply with the applicable provisions of EBO Section 10.8.2.1 of the Los Angeles Administrative Code, as amended from time to time. The Tenant shall not, in any of its operations within the City of Los Angeles or in other locations owned by the City of Los Angeles, including the Airport, discriminate in the provision of Non-ERISA Benefits (as defined below) between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration. As used above, the term "Non-ERISA Benefits" shall mean any and all benefits payable through benefit arrangements generally available to the Tenant's employees which are neither "employee welfare benefit plans" nor "employee pension benefit plans", as those terms are defined in Sections 3(1) and 3(2) of ERISA. Non-ERISA Benefits shall include, but not be limited to, all benefits offered currently or in the future, by the Tenant to its employees, the spouses of its employees or the domestic partners of its employees, that are not defined as "employee welfare benefit plans" or "employee pension benefit plans", and, which include any bereavement leave, family and

medical leave, and travel discounts provided by the Tenant to its employees, their spouses and the domestic partners of employees.

26.13.2. The Tenant agrees to post the following statement in conspicuous places at its place of business available to employees and applicants for employment:

“During the term of a Lease with the City of Los Angeles, the Tenant will provide equal benefits to employees with spouses and its employees with domestic partners. Additional information about the City of Los Angeles’ Equal Benefits Ordinance may be obtained from the Department of Public Works, Bureau of Contract Administration, Office of Contract Compliance at (213) 847-6480.”

26.13.3. The failure of the Tenant to comply with the EBO will be deemed to be a material breach of the Lease by the Landlord. If the Tenant fails to comply with the EBO, the Landlord may cancel or terminate the Lease, in whole or in part, and all monies due or to become due under the Lease may be retained by the Landlord. The Landlord may also pursue any and all other remedies at law or in equity for any breach. Failure to comply with the EBO may be used as evidence against the Tenant in actions taken pursuant to the provisions of Los Angeles Administrative Code Section 10.40, *et seq.*, Contractor Responsibility Ordinance. If the Landlord determines that the Tenant has set up or used its contracting entity for the purpose of evading the intent of the EBO, the Landlord may terminate the Lease.

27. Definitions. The terms defined in this Section 27 shall have, for all purposes of this Lease, the meanings herein specified unless unambiguously required to the contrary by their context.

“Affiliate” shall mean any air transportation company that (i) is a parent or subsidiary of Tenant, or (ii) operates at the Airport under a trade name of Tenant and uses Tenant’s two-letter designator code for its flights serving the Airport, or (iii) operates at the Airport using a trade name of a parent or subsidiary of Tenant and uses the two-letter designator code of such parent or subsidiary for its flights serving the Airport. Prior to the execution of this Lease, the Tenant shall provide the Landlord with a list of its current Affiliates. The Tenant may update such list from time to time to add additional persons that fall within the definition of Affiliate hereunder provided that the Tenant provides prior written notice to the Executive Director, including a brief explanation as to how such additional person satisfies the definition of “Affiliate”. The Tenant shall provide the Landlord with written notice if at any time a Person on the list shall no longer be considered an Affiliate of the Tenant for purposes of this Lease. Horizon Air shall be considered an “Affiliate” for purposes of this Lease.

“Airline Equipment” means the personal property comprising systems, equipment, and furnishings from time to time installed in the Terminal and dedicated primarily to air passenger operations (including common use terminal equipment and systems, loading bridges, and seating), but excluding (a) fixtures (including ticket counters and baggage claim, make-up and conveyance systems), and (b) Tenant’s Property.

"Airline Exclusive Use Areas" means the space in the Terminal (including the Demised Premises) that is exclusively occupied by, or explicitly held for exclusive occupancy for, Airline Users or for service companies providing direct airline services including customer service providers and ground handling companies, as shown in the Master Lease Exhibits on file in the office of the Airport Engineer.

"Airline Joint Use Areas" means the space in the Terminal, licensed for the non-exclusive use of the Tenant under this Lease, that is used for gate areas, departure holdroom areas, ticket counter areas, baggage claim areas, baggage processing space, and similar areas used by or otherwise benefiting one or more Airline Users for operations (but excluding the Terminal Common Areas and the Vertical Areas), as shown in the Master Lease Exhibits on file in the office of the Airport Engineer.

"Airline Users" means on any date all passenger air carriers then leasing space at the Terminal, together with all other passenger air carriers then having other contractual arrangements with the Landlord for the use of the Terminal for the purpose of enplaning or deplaning passengers, but excluding all itinerant and charter air carriers not leasing space at the Terminal and not signatories to a contractual arrangement with the Landlord having substantially the same economic provisions with respect to charges for the use of Airline Joint Use Areas and International Joint Use Areas as those contained in this Lease.

"Airport" means Los Angeles International Airport in Los Angeles, California.

"Airport Debt" means general airport revenue bonds, general obligation bonds, passenger facility charge bonds, commercial paper, notes, bond anticipation notes, and any other forms of instruments creating an indebtedness issued, incurred, or assumed by the Landlord in connection with the ownership, development, or operation of the Airport and payable in whole or in part from revenues received by the Landlord from the operation of the Airport.

"Airport Debt Instrument" means any agreement, indenture, lease, or resolution that provides for the issuance, incurrence, or assumption of Airport Debt, and includes a trust indenture, installment payment agreement, issuing and paying agent agreement, loan agreement, and lease purchase agreement.

"Airport Engineer" means the Chief Airports Engineer of the Airport from time to time, as successors to that position may be designated (by whatever title).

"Airport Infrastructure Charges" means, for any calendar month, those expenses and other charges that satisfy all of the following conditions: (a) they are incurred or accrued by or on behalf of the Landlord in respect of the Airport during the calendar month, (b) they consist of Coverage Expenses, Permitted Amortization, or Reserve Deposits for any Airport Infrastructure Improvement, (c) they are allocable to the Terminal as described in Section 2.8.1, and (d) they do not consist of any of the following: (1) any expense or other charge that would otherwise be included in Airport Infrastructure Charges to the extent the Landlord is reimbursed therefor, net of costs of collection, by proceeds of any government grant (other than any grant from the City of Los Angeles), insurance, condemnation award, refund, credit, warranty, or otherwise, (2) any expense or other charge that is included in Terminal Expenses for the month, (3) any expense or

other charge that is duplicative of an expense or other charge included in the Landing Fee (but no expense or other charge included in the Landing Fee shall be deemed duplicative of any expense or charge that would otherwise be included in Airport Infrastructure Charges to the extent that the expense or charge relates to the same Capital Improvement and is explicitly allocated in the books and records of the Landlord between, among other accounts if applicable, the Landing Fee and Airport Infrastructure Charges), (4) any expense or other charge to the extent paid or required to be paid from the proceeds of remittances of Passenger Facility Charges, or (5) any expense that is included in Terminal Capital Charges for the month. Any Reserve Withdrawals to the extent directly or indirectly allocable to the Terminal as described in Section 2.8.1, and not deducted from Terminal Expenses for the month in which the Reserve Withdrawals are made, shall be deducted from Airport Infrastructure Charges for the calendar month in which the Reserve Withdrawals are made.

“Airport Infrastructure Improvement” means, as of any date for which the determination is made, any Capital Improvement placed in service before or during the calendar month that includes the date of determination (a) at any location within the Airport other than at the Terminal or other passenger terminals at the Airport, or (b) outside the Airport and intended to be used principally in connection with the operations of the Airport (including Capital Improvements intended as noise and traffic mitigation measures, and including Capital Improvements undertaken in order to satisfy a condition to the construction of other Capital Improvements within the Airport).

“Apply,” “Applied” or “Application” mean any installation, handling, generation, storing, treatment, application, use, disposal, discharge, release, manufacture, refinement, presence, migration, emission, abatement, removal, transportation, or any other activity of any type in connection with or involving Hazardous Materials by the Tenant or its officers, employees, contractors, assignees, sublessees, agents or invitees.

“Base Rent” means the rental payable by the Tenant for the use of the Tenant Areas in monthly installments as provided for in Section 2.1 and 2.2.

“Basic Information Schedule” means the schedule containing certain basic information and sample calculations relating to this Lease, and attached to this Lease as Schedule 4.

“Board” means the Board of Airport Commissioners of the Department of Airports of the City of Los Angeles, California.

“Business Day” means any day excluding Saturdays, Sundays, and any other day designated as a holiday under the federal laws of the United States or under the laws of the State of California or the City of Los Angeles.

“Capital Improvement” means any improvement or item or related group of items that, in accordance with generally accepted accounting principles consistently applied, is capitalized by the Landlord and costs in excess of the Capital Improvement Floor Amount.

“Capital Improvement Floor Amount” means such amount, if any, as may be adopted by the Landlord in its discretion from time to time for the purposes of keeping the accounting

records of the Airport, as a threshold below which the cost of items that would otherwise be treated as investment in capital improvements is instead treated as a current expense.

“City Attorney” means the Office of the City Attorney of the City of Los Angeles.

“City Council” means the Los Angeles City Council.

“Coverage Expenses” means, for any calendar month, the amounts deposited by the Landlord during the calendar month to funds and accounts for debt service reserves and any debt service coverage requirements under the terms of any Airport Debt Instrument under which Airport Debt has been issued.

“CPI” means the Consumer Price Index for All Urban Consumers (CPI-U), as published from time to time by the U.S. Department of Labor, Bureau of Labor Statistics, for the Los Angeles-Riverside Orange County area, All Items (1982-84 = 100), or, if that index shall cease to be regularly published, such replacement index (adjusted for any difference in base year and absolute amount) as shall from time to time be published by the Bureau. If the U.S. Department of Labor ceases to publish such an index, the Landlord will adopt in its place a comparable index published at the time of the cessation by a responsible financial periodical, if any. If there is no comparable index published by a responsible financial periodical, the Landlord will adopt any other comparable index available, and make any adjustments required thereto to reflect the 1982-84 = 100 base year. In addition, if the method of calculating the consumer price index changes in any way, for the purposes of this Lease, the CPI shall be determined without giving effect to the new methods, and the CPI shall continue to be calculated in the manner as of the Rent Commencement Date. Any adjustments to the CPI (if it is calculated differently) shall be made by the Landlord, subject to the Tenant’s right to reasonably approve the adjustments.

“CPI Change” means the percentage change in the CPI when comparing (a) the CPI most recently published on the date that is four calendar months before the earlier of the dates for which the comparison is being made to (b) the CPI in effect on the date that is four calendar months before the later of the dates for which the comparison is being made.

“Critical Portion” means any portion of the Tenant Areas that, if not usable by the Tenant in its customary manner (taking into account any alternatives proposed by the Landlord) would, in the Tenant’s reasonable judgment, render the balance of the Tenant Areas insufficient for the proper and ordinary conduct of the Tenant’s operations.

“Debt Service” means the amounts due for repayment of principal and interest on outstanding Airport Debt, including required contributions to a sinking fund for term bonds.

“Demised Premises” means the space (if any) demised for the exclusive use of the Tenant under this Lease, consisting of approximately the number of square feet of Rentable Area reflected on the Basic Information Schedule under the heading “Demised Premises”, located in the Terminal and shown in heavy black outline on the Airport Engineer’s Drawing described on the Basic Information Schedule under the heading “Demised Premises”, a copy of which is attached to this Lease as Exhibit A.

“discretion” means sole and absolute discretion; any provision of this Lease referring to the exercise by the Landlord or the Tenant of its discretion, whether in those words or words of similar import, shall (unless expressly subject to a different standard) permit the party exercising its discretion to do so in any manner and for any reasons it chooses, and, to the maximum extent permitted by law, the exercise of that discretion is not intended to be reviewable by any judicial or regulatory authority.

“Environmental Losses” means all costs and expenses of any kind (including remediation expenses), damages, fines and penalties incurred in connection with any violation of and compliance with Environmental Requirements and all losses of any kind attributable to the diminution of value, loss of use or adverse effects on marketability or use of any portion of the Demised Premises, the Terminal or the Airport.

“Environmental Requirements” means all present and future governmental statutes, codes, ordinances, regulations, rules, orders, permits, licenses, approvals, authorizations and other requirements of any kind applicable to Hazardous Materials.

“Excluded Areas” means the Landlord Proprietary Areas, the Retail and Concession Areas, and any other space in the Terminal that is exclusively occupied by, or explicitly held available for exclusive occupancy for users of space other than Airline Users, as shown in the Master Lease Exhibits on file in the office of the Airport Engineer.

“Executive Director” means the Executive Director of the Department of Airports of the City of Los Angeles, California, or his or her designee.

“Hazardous Materials” means any substance (i) that now or in the future is regulated or governed by, requires investigation or remediation under, or is defined as a hazardous waste, hazardous substance, extremely hazardous waste, hazardous material, hazardous chemical, toxic chemical, toxic substance, cancer causing substance, substance that causes reproductive harm, pollutant or contaminant under any governmental statute, code, ordinance, regulation, action, case law, rule or order, and any amendment thereto, including the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. §9601 *et seq.*, and the Resource Conservation and Recovery Act, 42 U.S.C. §6901 *et seq.*, (ii) that is toxic, explosive, corrosive, flammable, radioactive, carcinogenic, mutagenic, or otherwise hazardous, including aviation fuel, jet fuel, gasoline, diesel, petroleum hydrocarbons, polychlorinated biphenyls (PCBs), asbestos, radon and urea formaldehyde, (iii) the presence of which at the Terminal causes or threatens to cause a nuisance at the Terminal or adjacent property, or poses or threatens to pose a hazard to the health or safety of persons on or about the Terminal or adjacent property, or (iv) the presence of which on adjacent property could constitute a trespass by the Tenant.

“herein”, “hereof”, “hereto”, “hereunder” and similar terms contained in this Lease refer to this Lease as a whole and not to any particular Section, paragraph or provision of this Lease.

“including” and “include” mean including or include without limiting the generality of any description preceding that term; for the purposes of this Lease the rule of ejusdem generis shall not be applicable to limit a general statement, followed by or referable to an enumeration of specific matters, to matters similar to the matters specifically mentioned.

"Initial Valuation Date" means the date as of which the valuation of space in the Terminal was last established (whether by appraisal or by determination of the Board).

"Insurance Requirements" means all terms of any insurance policy covering the Tenant or covering or applicable to the Terminal or any part thereof, all requirements of the issuer of the policy, and all orders, rules, regulations and other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) applicable to or affecting the Terminal or any part thereof or any use or condition of the Terminal or any part thereof.

"International Joint Use Areas" means the space, if any, in the Terminal, licensed for the non-exclusive use of the Tenant under this Lease, that is used for federal inspection services (including sterile corridors, customs areas, baggage service areas, customs baggage claim areas, cashier areas, interline baggage areas, immigration inspection areas, storage areas, locker areas, federal inspection service swing areas, conference room areas and registration areas), offices for federal agencies, restrooms included in or adjacent to the foregoing areas, transit lounge space and other in-transit facilities for international passengers (but excluding the Vertical Areas), as shown in the Master Lease Exhibits on file in the office of the Airport Engineer.

"Landing Fee" means the landing fees and charges payable by the Tenant under the terms of any operating permit issued by the Landlord and held by the Tenant as an air carrier or as established by any resolution of the Board.

"Landlord" means the City of Los Angeles, acting by and through the Board of Airport Commissioners of its Department of Airports, in its capacities as the landlord and the licensor under this Lease.

"Landlord Proprietary Areas" means the space, if any, in the Terminal that is unavailable for use by the public or Airline Users and is exclusively used for administrative or operational purposes by employees of the Landlord, as shown in the Master Lease Exhibits on file in the office of the Airport Engineer.

"Lease" means this Airline Terminal Space Lease and License Agreement and the Schedule and Exhibits hereto, as amended from time to time.

"Lease Commencement Date" means the date in Section 1 of this Lease.

"Lease Year" means the fiscal year of the Landlord, which is currently the year beginning on July 1 and ending on the following June 30, or any other fiscal year as may from time to time be adopted by the Landlord.

"Legal Requirements" means all laws, statutes, codes, acts, ordinances, charters, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all governments, departments, commissions, boards, courts, authorities, agencies, officials and officers, foreseen or unforeseen, ordinary or extraordinary, that now or at any time hereafter may be applicable to the Tenant or to the Terminal, or to the Airport or any part thereof.

"Market Method" means the method adopted for establishing the Rental Rate by reference to the fair market rental value of the Tenant Areas.

"Passenger Facility Charges" means passenger facility charges required to be collected by the Tenant and remitted to the Landlord under 14 C.F.R. Part 158 or any similar or successor Legal Requirement.

"Permitted Amortization" means, for any Qualifying Terminal Capital Improvement and for any Qualifying Airport Capital Improvement and for any calendar month, the portion of the Landlord's cost of the Qualifying Terminal Capital Improvement or Qualifying Airport Capital Improvement attributable to the month, based on the method the Landlord shall in its discretion from time to time adopt for purposes of keeping the accounting records of the Airport, comprising (a) the portion of the Landlord's Debt Service that is specific to the Qualifying Terminal Capital Improvement or Qualifying Airport Capital Improvement and accrues or is payable during or is otherwise attributable to the month, or (b) if no such specific Debt Service exists, at such rate of principal amortization and interest as the Landlord shall in its discretion determine from time to time to fairly reflect the useful life of the Qualifying Terminal Capital Improvement or Qualifying Airport Capital Improvement and the Landlord's cost of funds (whether or not the funds are in fact borrowed) for acquiring or constructing the Qualifying Terminal Capital Improvement or Qualifying Airport Capital Improvement.

"Person" means a corporation, an association, a partnership, a limited liability company, an organization, a trust, a natural person, a government or political subdivision thereof or a governmental agency.

"Qualifying Airport Capital Improvement" means any Capital Improvement placed in service at the Airport (other than at the Terminal or other passenger terminals at the Airport) or (b) outside the site of the Airport and intended to be used principally in connection with the operations of the Airport.

"Qualifying Terminal Capital Improvement" means (a) any Capital Improvement (other than Airline Equipment) placed in service at the Terminal after the Initial Valuation Date, but only for the balance of the Valuation Cycle in which the item was placed in service and any future Valuation Year for which the basis of calculating the Rental Rate is the Terminal Capital Charges Method (unless the Capital Improvement is a replacement of worn out or obsolete components or equipment with components or equipment of functionality not greater than that originally achieved by the components or equipment being replaced, in which case the Capital Improvement will be a Qualifying Terminal Capital Improvement only for any Valuation Year for which the basis of calculating the Rental Rate is the Terminal Capital Charges Method), and (b) all Airline Equipment at the Terminal.

"Reimbursement Rate" means, as of any date of determination, the annual rate of interest equal to two per cent per annum in excess of the fixed rate of interest quoted in The Bond Buyer 25 Revenue Bond Index (or, if that index is no longer published, such successor or replacement index or similar index selected by the Landlord) for fixed rate bonds having a term remaining to maturity of one year (with no credit enhancement) and bearing interest that is not excluded from gross income for federal income tax purposes.

“Rentable Area” means, when applied to any portion of the Terminal, the rentable floor area of the portion of the Terminal, as calculated from time to time by the Airport Engineer in accordance with Section 28.9.

“Rental Rate” means the monthly amount, expressed in U.S. dollars per square foot of Rentable Area, by which the Base Rent is computed under the terms of Section 2.

“Rent Commencement Date” means the date in Section 1 of this Lease.

“Reserve Deposits” means, for any calendar month, the amounts deposited during the month to funds and accounts for maintenance and operation reserves and similar expense reserves under the terms of any Airport Debt Instrument.

“Reserve Withdrawals” means, for any calendar month, the amounts withdrawn during the month from funds and accounts for maintenance and operation reserves and similar expense reserves under the terms of any Airport Debt Instrument.

“Retail and Concession Areas” means the space, if any, in the Terminal (a) that is not included within Landlord Proprietary Areas or occupied by Airline Users and that is exclusively occupied by, or explicitly held available for exclusive occupancy for, retail shops, restaurants, concessionaires, and other non-airline users, or (b) that is explicitly held available primarily for the joint use of restaurant and other food-service tenants of the Terminal in the course of their operations and in accordance with the terms of their leases or occupancy agreements, in each case as shown in the Master Lease Exhibits on file in the office of the Airport Engineer.

“Space Use Factor” means, for any calendar month during the Term, the sum of (a) the Rentable Area of the Demised Premises during the calendar month, and (b) the product of the Rentable Area of the Airline Joint Use Areas during the calendar month and the Tenant’s Joint Use Share for the calendar month. For the purposes of computing the Space Use Factor for the first and last months of the Term: (1) if the Rent Commencement Date is a day other than the first day of a calendar month, the Rentable Area of the Demised Premises (but not the Rentable Area of the Airline Joint Use Areas) for the month including the Rent Commencement Date shall be reduced in proportion to (x) the number of calendar days from and including the Rent Commencement Date to the end of the month and (y) the number of calendar days in the month, and (2) if the Term ends on a date other than the last day of a calendar month, the Rentable Area of the Demised Premises (but not the Rentable Area of the Airline Joint Use Areas) for the month shall be reduced in proportion to (x) the number of calendar days from the first day of the month to and including the last day of the Term and (y) the number of calendar days in the month. An estimated calculation of the Space Use Factor for the month including the Rent Commencement Date (but, for the purpose of illustration only, assuming that the Rent Commencement Date is the first day of the calendar month) is shown on the Basic Information Schedule under the heading “Space Use Factor”.

“Stipulated Rate” means the rate of interest per annum equal to the lesser of (a) 20% and (b) the maximum rate permitted by applicable law.

"Substantial Destruction" means damage or destruction to the Tenant Areas (other than a Taking) as the result of making the Tenant Areas unfit for the Tenant's normal operations and resulting from a cause not insured against in the policies of insurance maintained by the Tenant (and not required to be maintained by the Tenant under the provisions of Section 9.2).

"Taking" means a temporary or permanent taking by a government or political subdivision thereof or by a governmental agency (or by any other Person exercising the power of condemnation or eminent domain) for public or quasi-public use of all or any part of the Terminal, or any interest therein or right accruing thereto, including, without limitation, any right of access thereto existing on the date hereof, as the result of or in lieu of or in anticipation of the exercise of the right of condemnation or eminent domain. No recapture by the Landlord of any portion of the Demised Premises, or exercise by the Landlord of any similar right under the terms of this Lease, shall constitute a Taking.

"Taking Date" means, in connection with a Taking, the earlier of the date on which title vests due to the Taking and the date on which possession of the property affected by the Taking is required to be, or is, delivered to or at the direction of the condemning authority.

"Tariff" means the Los Angeles International Airport Passenger Terminal Tariff adopted by the Board, as may be amended from time to time.

"Tenant" means the entity specified in the preamble to this Lease as the tenant and licensee under this Lease, and any permitted assignee from time to time of the leasehold estate and license created by this Lease.

"Tenant Areas" means the Demised Premises, the Airline Joint Use Areas, and the International Joint Use Areas.

"Tenant's Joint Use Share" means, for any calendar month for which the Terminal Activity Threshold is satisfied during a Lease Year, the percentage equal to the sum of (a) the percentage reflected on the Basic Information Schedule as the "Airline User Factor" divided by the number of Airline Users, including the Tenant, for all or any portion of the month, plus (b) the percentage reflected on the Basic Information Schedule as the "Airline Flight Factor" multiplied by a fraction, the numerator of which is the aggregate number of flights operated by the Tenant arriving at and departing from the Terminal during the month and the denominator of which is the aggregate number of flights operated by any of the Airline Users (including the Tenant) arriving at and departing from the Terminal during the month, plus (c) the percentage reflected on the Basic Information Schedule as the "Airline Passenger Factor" multiplied by a fraction, the numerator of which is the number of the passengers using the Terminal during the month to enplane onto or deplane from any passenger flight operated by the Tenant, and the denominator of which is the number of all of the passengers using the Terminal during the month to enplane onto or deplane from any passenger flight operated by any of the Airline Users, including the Tenant. For any calendar month during a Lease Year for which the Terminal Activity Threshold is not satisfied, the Tenant's Joint Use Share shall be computed in the same manner, but with the following adjustments: (a) the number of Airline Users for all or any portion of the month will be deemed to be one greater than the actual number, (b) the aggregate number of flights operated by any of the Airline Users (including the Tenant) arriving at and

departing from the Terminal during the month will be deemed to be greater than the actual number by the number of flights sufficient to carry the smallest number of additional passengers using the Terminal during the month to enplane onto or deplane from any passenger flight that would have been necessary to satisfy the Terminal Activity Threshold for the month (at an average passenger load equal to the number of all of the passengers using the Terminal during the month to enplane onto or deplane from any passenger flight operated by any of the Airline Users, including the Tenant, divided by the actual aggregate number of flights operated by any of the Airline Users, including the Tenant, arriving at and departing from the Terminal during the month), and (c) the number of all of the passengers using the Terminal during the month to enplane onto or deplane from any passenger flight operated by any of the Airline Users, including the Tenant, will be deemed to be the smallest number that would have satisfied the Terminal Activity Threshold for the month. An estimated calculation of the Tenant's Joint Use Share as of the Rent Commencement Date (but, for the purpose of illustration only, assuming that the Rent Commencement Date is the first day of the calendar month) is shown on the Basic Information Schedule under the heading "Tenant's Joint Use Share".

"Tenant's Property" means all furniture, furnishings, office equipment, books, records, office supplies, computers and related equipment, audio-visual equipment, telephone systems and equipment, art work and rugs installed at or located in the Tenant Areas at the expense of the Tenant and removable without damage to the Terminal that cannot be readily repaired.

"Tenant's Special Use Share" means, for any calendar month during the Term, the percentage represented by the fraction, the numerator of which is the Space Use Factor for the month and the denominator of which is the positive difference between the Terminal Rentable Area for the month and the Rentable Area of the Excluded Areas for the month. An estimated calculation of the Tenant's Special Use Share as of the Rent Commencement Date (but, for the purpose of illustration only, assuming that the Rent Commencement Date is the first day of the calendar month) is shown on the Basic Information Schedule under the heading "Tenant's Special Use Share".

"Tenant's Use Share" means, for any calendar month during the Term, the percentage represented by the fraction, the numerator of which is the Space Use Factor for the month and the denominator of which is the Terminal Rentable Area for the month. An estimated calculation of the Tenant's Use Share as of the Rent Commencement Date (but, for the purpose of illustration only, assuming that the Rent Commencement Date is the first day of the calendar month) is shown on the Basic Information Schedule under the heading "Tenant's Use Share".

"Terminal Activity Threshold" means, for any calendar month during a Lease Year, the condition that is satisfied if the number of all of the passengers using the Terminal during the month to enplane onto or deplane from any passenger flight operated by any of the Airline Users, including the Tenant, is equal to or exceeds: (a) for the months of June, July, and August, the product of (i) 1,000, (ii) the number of gates in the Terminal during the month, and (iii) the number of days during the month, and (b) for all other months, the product of (i) 750, (ii) the number of gates in the Terminal during the month, and (iii) the number of days during the month.

“Terminal Capital Charges” means the Landlord’s cost of acquiring and constructing the assets from time to time comprising the Terminal (including the underlying land and the foundation, roof, structure, vertical and horizontal transportation systems, building systems, and all fixtures and equipment other than Airline Equipment) including, but not limited to, the cost of repurchasing or terminating existing leasehold interests and defeasing financings in connection with such repurchases or termination, computed as described in Section 2.7.1, without duplication as of any date of any costs that are included as of that date in the calculation of Airport Infrastructure Charges, Terminal Expenses, or Terminal Special Expenses.

“Terminal Capital Charges Method” means the method adopted for establishing the Base Rent, as well as the rent charged to other Airline Users of the Terminal, by reference to Terminal Capital Charges.

“Terminal Common Areas” means the space in the Terminal (other than the Airline Exclusive Use Areas, the Airline Joint Use Areas, the International Joint Use Areas, the Retail and Concession Areas, the Landlord Proprietary Areas, and the Vertical Areas) that is used for lobbies, corridors, Travelers Aid offices, restrooms, custodial facilities, utility closets, and mechanical rooms, as shown in the Master Lease Exhibits on file in the office of the Airport Engineer.

“Terminal Expenses” means, without duplication, the aggregate of those costs and expenses that are incurred or accrued by or on behalf of the Landlord (whether directly or through independent contractors or otherwise) in respect of the operation, repair, maintenance, and administration of the Terminal, and of the Airport and directly or indirectly allocable to the Terminal as described in Section 2.7.1, including the following:

- (a) the cost of obtaining or providing gas, oil, steam, water, sewer charges, electricity and other fuel and utilities furnished to the Terminal and utility taxes;
- (b) payments under service contracts for operating, maintaining, repairing or cleaning the Airport, the Terminal, or any portion thereof;
- (c) payments under service contracts for operating, maintaining or repairing the Airport systems or the Terminal systems;
- (d) insurance premiums, including for workers compensation, general liability, property insurance (including rent abatement and rent loss coverages), deductibles under any insurance carried for the Airport, but only to the extent paid or absorbed by the Landlord;
- (e) labor costs (including salaries, wages, bonuses, medical, surgical and general welfare benefits (including life insurance), pension and union and general welfare payments and other fringe benefits, severance and sick day payments and social security and payroll taxes);
- (f) the cost of security services at and in connection with the Airport and its operations;

- (g) the cost of maintaining, repairing and cleaning elevators and escalators, elevator cabs, moving sidewalks, roadways and other transportation systems, lobbies, sidewalks, curbs and other public areas;
- (h) interior and exterior landscaping and decoration and signs;
- (i) the cost of janitorial and cleaning services, window cleaning, and trash collection and removal;
- (j) the cost of providing pest extermination services;
- (k) rental payments made under operating leases for personal property used in the operation and maintenance of the Airport;
- (l) the cost of governmental licenses and permits, or renewal thereof, necessary for the operation of the Airport;
- (m) Permitted Amortization;
- (n) Coverage Expenses;
- (o) Reserve Deposits;
- (p) accounting fees, attorneys' fees and the fees of other professionals, and related expenses and disbursements;
- (q) the cost to comply with Legal Requirements at the Airport that are not Capital Improvements, including any costs or expenses for testing, survey, cleanup, removal, encapsulation or other treatment of Hazardous Materials or otherwise to comply with any environmental Legal Requirements;
- (r) general overhead costs of the administration of the Airport; and
- (s) all other reasonable or necessary expenses in connection with the operation and maintenance of the Airport;

but specifically excluding, without duplication, all of the following:

- (1) principal of and interest on any indebtedness of the Landlord, except to the extent of Coverage Expenses and Permitted Amortization for any Qualifying Terminal Capital Improvement;
- (2) depreciation and amortization, except to the extent of Permitted Amortization for any Qualifying Terminal Capital Improvement;
- (3) the cost of any Capital Improvements, except to the extent of Coverage Expenses and Permitted Amortization for any Qualifying Terminal Capital Improvement;

(4) any cost that would otherwise be a Terminal Expense to the extent the Landlord is reimbursed therefor, net of costs of collection, by proceeds of any government grant (other than any grant from the City of Los Angeles), insurance, condemnation award, refund, credit, warranty, service contract, or otherwise;

(5) any cost or expense that is duplicative of a cost or expense included in the Landing Fee (but no cost or expense included in the Landing Fee shall be deemed duplicative of any cost or expense that would otherwise be included in Terminal Expenses to the extent that the cost or expense relates to the same aggregate cost or expense and is explicitly allocated in the books and records of the Landlord between, among other accounts if applicable, the Landing Fee and Terminal Expenses);

(6) any cost or expense to the extent paid or required to be paid from the proceeds of remittances of Passenger Facility Charges;

(7) any cost or expense reimbursed or required to be reimbursed to the Landlord under the provisions of Section 2.6; and

(8) any cost or expense that is incurred or accrued in connection with Airline Equipment.

Any insurance proceeds or other amounts received by the Landlord in reimbursement for any item previously included as a Terminal Expense (including in a previous Lease Year), shall be deducted from Terminal Expenses for the Lease Year in which the proceeds are received. Any Reserve Withdrawals to the extent directly or indirectly allocable to the Terminal as described in Section 2.8.1 shall be deducted from Terminal Expenses for the calendar month in which the Reserve Withdrawals are made. Any payments received by the Landlord for the use of the Terminal from itinerant and charter air carriers that are not Airline Users shall be deducted from Terminal Expenses for the Lease Year in which the payments are received.

“Terminal Rentable Area” means the sum of all of the Rentable Area in the Terminal, as calculated from time to time by the Airport Engineer in accordance with Section 28.9.

“Terminal Special Expenses” means all costs and expenses that would otherwise be Terminal Expenses, but that are incurred or accrued for the benefit of Airlines, including but not limited to, Airline Equipment.

“Unavoidable Delays” means delays due to strikes, acts of God, interruption of services, enemy action, terrorist acts, civil commotion, shortages of labor or supply or other similar causes beyond the reasonable control of the party whose action is required; but lack of funds shall not be deemed a cause beyond the control of the Tenant.

“Valuation Cycle” means each of the successive five-year periods beginning with the Rent Commencement Date and ending on the day preceding each fifth successive anniversary of the Rent Commencement Date.

“Valuation Year” means each of the five successive one-year periods beginning with the Rent Commencement Date and ending on the day preceding each of the five successive anniversaries of the Rent Commencement Date.

“Vertical Areas” means stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls, serving more than one floor of the Terminal, but does not include stairs, dumb-waiters, lifts, and the like, exclusively serving the Tenant or any other tenant of the Terminal occupying space on more than one floor of the Terminal.

28. Miscellaneous.

28.1. Waiver. No provision of this Lease may be waived, discharged or modified without an instrument in writing, signed by the party against whom enforcement of the waiver, discharge or modification is sought. No waiver on behalf of the Landlord will be deemed binding upon the Landlord unless approved in writing as to form by the City Attorney. During any period in which an Event of Default shall have occurred and be continuing, or during the existence of any breach of the terms of this Lease that, after the lapse of time or the giving of notice (or both), would constitute an Event of Default, the Landlord’s acceptance of payments of Base Rent or additional rent shall not be deemed a waiver of the Event of Default or breach. The failure of the Landlord or the Tenant to insist upon the strict performance of any provision of this Lease shall not be deemed a waiver and shall not bar the Landlord or the Tenant from thereafter insisting upon strict performance of the provision.

28.2. Surrender. No agreement to accept a surrender of this Lease shall be valid unless in writing signed by the Landlord.

28.3. Entire Agreement. This Lease and the Settlement Agreement contain the entire agreement between the Landlord and the Tenant relating to the subject matter hereof.

28.4. Rights Limited by Law. All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and are intended to be limited to the extent necessary so that they will not render this Lease invalid, illegal, unenforceable or not entitled to be recorded, registered or filed under the provisions of any applicable law. If any term of this Lease or any application thereof shall be invalid or unenforceable, the remainder of this Lease and any other application of the term shall not be affected.

28.5. Certain Statutes. No provision of this Lease shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308 of the Federal Aviation Act, 49 U.S.C. 40103(e) and 40107(a)(4) (Public Law 103-272). The Tenant waives any right or benefit in any way related to the Airport or its operations to which the Tenant would otherwise be entitled as a result of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, 49 U.S.C. 4601, *et seq.* (Public Law 91-646), Title 1, Division 7, Chapter 16 of the California Government Code (Sections 7260, *et seq.*), or any other Legal Requirement conferring similar rights and benefits.

28.6. Approvals. Any approvals or consents required from or given by the Landlord under this Lease shall be approvals of the City of Los Angeles Department of Airports acting as the Landlord, and shall not relate to, constitute a waiver of, supersede or otherwise limit or affect the rights or prerogatives of the City of Los Angeles as a government, including the right to grant or deny any permits required for construction in the Tenant Areas or maintenance of the Demised Premises and the right to enact, amend or repeal Legal Requirements, including those relating to zoning, land use, and building and safety. Any requirement in this Lease that an approval or consent be not unreasonably withheld shall also be deemed to require that the approval or consent be not unreasonably delayed. Any other requirement in this Lease that an approval or consent be obtained shall entitle the party whose approval or consent is required to withhold the approval or consent in its discretion. No approval or consent on behalf of the Landlord will be deemed binding upon the Landlord unless approved in writing as to form by the City Attorney.

28.7. Certain Amendments. If the City Attorney shall determine that any provision of this Lease is in conflict with any Legal Requirement or that any right otherwise afforded to the Tenant under this Lease would (if exercised by the Tenant) result in a violation of any Legal Requirement, the Landlord may unilaterally amend this Lease to the extent necessary to bring this Lease into conformity with the Legal Requirement or to restrict the rights otherwise afforded to the Tenant to the extent necessary to prohibit the conduct that would result in the violation of the Legal Requirement, by delivering to the Tenant a notice specifying the text of the amendment and the date on which the amendment will become effective. Together with any notice amending the terms of this Lease as permitted by the preceding sentence of this Section 28.7, the Landlord will furnish to the Tenant an opinion of the City Attorney that specifies the conflict and the narrowest amendment, consistent with the remaining terms of this Lease, that would bring this Lease, as so amended, into conformity with the Legal Requirement or that would restrict the rights otherwise afforded to the Tenant to the extent necessary to prohibit the conduct that would result in the violation of the Legal Requirement. No such amendment will become effective on fewer than 90 days' notice to the Tenant, unless in the opinion of the City Attorney a shorter period of time is required in order to avoid any civil or criminal penalty. If the City Attorney shall determine that any policy of the Federal Aviation Administration, the U.S. Department of Transportation, the U.S. Transportation Security Administration, or any other federal or state regulatory agency shall have changed on or after the Lease Commencement Date, whether or not the change shall have the force of law and whether or not the change shall have retroactive effect, the Landlord may unilaterally amend this Lease to the extent necessary to bring this Lease into conformity with the revised policy, by delivering to the Tenant a notice specifying the text of the amendment and the date on which the amendment will become effective. Together with any notice amending the terms of this Lease as permitted by the immediately preceding sentence of this Section 28.7, the Landlord will furnish to the Tenant an opinion of the City Attorney that specifies the change in policy and the narrowest amendment, consistent with the remaining terms of this Lease, that would bring this Lease, as so amended, into conformity with the new policy. No such amendment will become effective on fewer than 90 days' notice to the Tenant, unless in the opinion of the City Attorney a shorter period of time is required in order to avoid any civil or criminal penalty. By agreeing to this Section 28.7, the Tenant does not waive and the Tenant hereby retains all of its rights to challenge the validity of any such Legal Requirement or policy change.

28.8. Time Periods. Unless otherwise specified, any reference to "days" in this Lease shall mean calendar days. Time of performance shall be of the essence of this Lease, provided that whenever a day is established in this Lease on or by which either the Landlord or the Tenant is required to perform any action (other than the Tenant's obligation to make any payment of money required by this Lease), the time for performance shall be extended by the number of days (if any) during which the party whose performance is required is prevented from performing due to Unavoidable Delays.

28.9. Measurements. For the purpose of computing the Tenant's Use Share, the Tenant's Special Use Share, the Space Use Factor, and any other similar quantity relevant to any provision of this Lease, all measurements of (a) the Demised Premises, (b) the Airline Joint Use Areas, (c) the International Joint Use Areas, and (d) any other relevant portion of the Terminal shall be made (except as required to the contrary by the express terms of this Lease) under ANSI/BOMA Z65.1-1996 ("Standard for Measuring Floor Area in Office Buildings") or any other consistent methods from time to time adopted by the Airport Engineer. Any measurements of the Terminal Rentable Area or the Rentable Area of any portion of the Terminal shall be adjusted from time to time by the Airport Engineer to take into account changes in the measurements of relevant portions of the Terminal. The Terminal Rentable Area shall be computed by deducting from the sum of the gross measured area of each floor of the Terminal the gross measured area of the Vertical Areas and the International Joint Use Areas. The Rentable Area of any other portion of the Terminal shall be computed by multiplying the usable area of the portion of the Terminal for which the computation is made by a fraction, the numerator of which is the Terminal Rentable Area and the denominator of which is the aggregate usable floor area of the Terminal (including the Airline Exclusive Use Areas, the Airline Joint Use Areas, and the Excluded Areas), with each quantity required for the computation expressed in square feet. For the purposes of any computation of area required by this Lease, (a) if the measurement of any area in the Terminal or of the Terminal Rentable Area changes during any calendar month, the computation will be made based on the greatest number of square feet included in the area during the month, (b) the measurement of any area in the Terminal or of the Terminal Rentable Area will not be affected by the temporary unavailability of floor area in the Terminal due to maintenance, repairs, and construction activity in or affecting the Terminal, and (c) additions to any area in the Terminal or of the Terminal Rentable Area resulting from the construction of new improvements will not be included in the measurement of any area in the Terminal or of the Terminal Rentable Area until the new improvements are placed in service. The computation by the Airport Engineer of any area required by this Lease, and the designation by the Airport Engineer of any area of the Terminal as Demised Premises, Airline Joint Use Areas, International Joint Use Areas, Retail and Concession Areas, Landlord Proprietary Areas, Excluded Areas, Terminal Common Areas, Vertical Areas, or as any other category of space that may be relevant for any other purpose of this Lease, shall be deemed conclusive absent manifest error. If at any time the Airport Engineer concludes that any computation of floor area measurement or any designation of area proves to have been incorrect, the Landlord will promptly disclose the inaccuracy to the Tenant, and the Landlord and the Tenant will promptly make such payments to the other as may be necessary to correct retroactively for the economic effect of the error.

28.10. Certain Exhibits and Deliveries. Exhibits to this Lease consisting of provisions of ordinances and the Administrative Code of the City of Los Angeles are attached to this Lease

only as a matter of convenience. In the event of a conflict between the Exhibits to this Lease and the official text of the ordinance or Administrative Code provision, the official text shall govern. In order to illustrate the computation of the Base Rent and other financial matters relevant to this Lease, the Landlord has delivered or may deliver to the Tenant sample calculations in written or electronic form. In the event of a conflict between the sample calculations and the terms of this Lease, the terms of this Lease shall govern.

28.11. Other Agreements not Affected. The provisions of this Lease shall apply only to the Demised Premises and shall not modify in any respect any of the rights or obligations of the Landlord or the Tenant under any other lease or other agreement between them. Except as expressly provided in this Lease, no third-party is intended to be a beneficiary of the provisions of this Lease.

28.12. Subordination to Government Agreements. The Tenant's rights and leasehold estate under this Lease shall be subordinate to the provisions of any existing or future agreement between the Landlord and the United States relating to the development, operation, or maintenance of the Airport.

28.13. No Joint Venture. The provisions of this Lease shall not be construed to create a joint venture or partnership between the Landlord and the Tenant.

28.14. Counterparts. This Lease may be executed in several counterparts, each of which shall be an original, but all of which together shall constitute a single instrument.

28.15. Captions, etc. The captions, table of contents and cover page of this Lease are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

28.16. Waiver of Trial by Jury. The Landlord and the Tenant do hereby waive trial by jury in any action, proceeding or counterclaim brought by either of them against the other relating to any matters arising out of or in any way connected with this Lease, the relationship of the Landlord and the Tenant, the Tenant's use or occupancy of the Demised Premises, or any other claims (except claims for personal injury or property damage) or any other statutory remedy.

28.17. Survival of Obligations. Unless expressly provided to the contrary, the obligations of the Landlord and the Tenant hereunder shall survive, to the extent previously accrued, any termination of this Lease, the expiration of the Term or the exercise by the Landlord or the Tenant of any of their respective remedies for the breach by the other of the provisions of this Lease.

28.18. Governing Law. Irrespective of the place of execution or performance, this Lease shall be governed by and construed and enforced in accordance with the laws of the State of California.

28.19. Interpretation. This Lease shall be construed without regard to any presumption or other rule requiring construction against the party causing this Lease to be drafted. Any references in this Lease to a specific Legal Requirement shall be deemed to include a reference to any similar or successor provision.

28.20. Successors and Assigns. The covenants, conditions and agreements contained in this Lease shall bind and inure to the benefit of the Landlord and the Tenant and their respective successors and, except as otherwise provided in this Lease, their assigns, and shall run with the land.

28.21. Attorneys' Fees. In any action brought to enforce the terms of this Lease, the party substantially prevailing in the action shall be entitled to recover from the other party the prevailing party's reasonable expenses of the action (including reasonable attorneys' fees).

28.22. Authority. Except as expressly provided in this Section 28.22 to the contrary, (a) the powers of the Landlord under this Lease, including the power to interpret and implement the provisions of this Lease, have been delegated to and may be exercised by the Executive Director, and (b) any notice, election, approval or consent that this Lease by its terms requires or permits the Landlord to give may be given by the Executive Director, in each case as if exercised or given by resolution or order of the Board. Without limitation of the authority of the Executive Director under Sections 1.4.1, 10.2.1, 12.2.1, 12.2.3, 16.2, and 16.3 (after giving effect to the foregoing provisions of this Section 28.22), the Executive Director shall have the authority to bind the Landlord to any amendment of this Lease having the effect of increasing or decreasing by not more than \$150,000 in any Lease Year the amounts payable by the Tenant to the Landlord under this Lease. The authority of the Executive Director under this Section 28.22 shall not extend to either of the following actions without the prior approval or later ratification of the Board: (a) any extension of the Term for a period that, when added to the Term originally specified in this Lease, exceeds five years, or (b) unless otherwise provided herein, any amendment of the terms of this Lease if the specific text of this Lease has been presented to and approved by the City Council of the City of Los Angeles. In taking any action under this Lease, the Tenant shall be entitled to rely on the authority of the Executive Director as specified in this Section 28.22.

28.23. Settlement Agreement. This Lease is being entered into pursuant to the Settlement Agreement. To the extent that anything in the Settlement Agreement is inconsistent with the terms of this Lease, the terms of the Settlement Agreement shall govern.

[signature page follows]

IN WITNESS WHEREOF, the Landlord and the Tenant have respectively executed this Lease as of the day and year first above written.

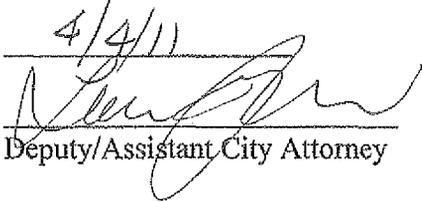
LANDLORD:

APPROVED AS TO FORM:

CITY OF LOS ANGELES

Carmen A. Trutanich,  
City Attorney

By: \_\_\_\_\_  
Executive Director  
Department of Airports

Date: 4/4/11  
By:   
Deputy/Assistant City Attorney

TENANT:

ALASKA AIRLINES, INC

ATTEST:  
By:   
Name: Keith Loveless  
Title: VP, Legal & Corporate Affairs  
Corporate Secretary

By:   
Name: Brandon Pedersen  
Title: Vice President, Finance &  
Chief Financial Officer  
3/31/11

[Corporate Seal]

## SCHEDULE 1

The projected costs in the following attachments are based on information available at the time of the Execution Date and has no relevance to the rates and charges calculation.

**Schedule 1 - Attachment A**  
**Summary of Proposed Terminal 6 Renovations**

Scope Component	Description	Projected Cost
1. Relocations	The relocation of airlines and other tenants to enable the renovations to Terminal 6.	\$12,682,371
2. Baggage Systems	The installation of a new outbound baggage system, including curbside and ticket counter conveyors, inline screening, baggage sortation and baggage make-up devices. Also includes replacing/reconfiguring inbound conveyors and the recheck conveyors in the T6/7 FIS.	\$61,996,138
3. Satellite Renovation	The renovation of the Satellite holdrooms areas, including new ceilings, HVAC systems, lighting, column covers, flooring, seating, millwork and finishes. Passenger boarding bridges will be replaced and refurbished.	\$29,443,970
4. Satellite Extension Renovation	The renovation of the Satellite Extension holdrooms areas, including new ceilings, HVAC systems, lighting, column covers, flooring, seating, millwork and finishes. Passenger boarding bridges will be refurbished. The sterile corridor will be extended to connect all gates to the FIS.	\$36,129,983
5. Common Use Systems	The installation of common use passenger processing systems, flight information displays and paging. This includes agent workstations, dynamic signage, telephone systems and self-service kiosks at ticketing and gates. Flight information displays will be installed throughout the terminal. Paging will be installed at all renovated areas.	\$23,792,420
6. Airport of the Future	The expansion of the west ticket lobby for Alaska's proprietary Airport of the Future. This includes a partial new building envelope, mechanical, electrical, plumbing and fire protection systems and finishes. New ticketing millwork and equipment will be installed within the expanded building.	\$19,477,332

**Schedule 1 - Attachment A**  
**Summary of Proposed Terminal 6 Renovations**

Scope Component	Description	Projected Cost
7. Security Screening Checkpoint Expansion	The expansion of the existing security screening checkpoint from six to eight lanes, meeting all current TSA standards. This includes expanding the concourse level for both the screening area and passenger queuing and installing a new elevator and escalator to access the new checkpoint from the west ticket lobby. Also included is replacement of the HVAC system that supports the existing checkpoint area.	\$29,513,805
8. Arrivals Level	The renovation of the arrivals level, including a new ceiling system, new baggage service offices and finishes. Also includes the renovation of the passenger tunnel for arriving passengers.	\$22,024,272
9. Alaska Renovations	The creation of consolidated support space for Alaska's operation, including leased space at both ticketing and the ramp level. Also the construction of the Board Room on the mezzanine level of the Satellite.	\$27,774,984
10. LAWA Escalator Program	Planned escalator replacements in Terminal 6 by LAWA have been incorporated into Alaska's project. Alaska is handling the preparatory work to enable LAWA to install the equipment.	\$8,083,065
<b>TOTAL</b>		<b>\$270,918,340</b>

*Footnote: In addition to the scope component category budgets identified in Attachments B, C, & D, and the Relocation Costs of approximately \$12.7 million, funding of approximately \$17.9 million is anticipated from the TSA for components of the Inline Checked Baggage Inspection System. The TSA funding will be processed through the Reimbursement Agreement between LAWA and Alaska for pass through of TSA funds from LAWA to Alaska for approved costs associated with the design and construction of an Inline CBIS in Terminal 6 at LAX (See Schedule 1 -- Attachment E).*

**Schedule 1 – Attachment B**  
**Alaska Renovations**

In general, the Alaska Renovations are the improvements that are:

- (a) Branded.
- (b) Unique to ALASKA's specific operational needs, such that it is not reasonable to assume that another airline could use the improvement without modification.
- (c) Specialty lighting, finishes and other architectural elements specifically selected by ALASKA.
- (d) Interior construction of all exclusive lease spaces.

Specifically, the Alaska Renovations include, but are not limited to:

Scope Component	Estimated Cost
1. Satellite Proprietary Gate Equipment Battery chargers for proprietary gate equipment.	
2. Satellite Extension Proprietary Gate Equipment Battery chargers for proprietary gate equipment.	
3. Telephone - AS Proprietary Equipment Handsets for use with the terminal-wide telephone system.	
4. Proprietary AS Agent Podiums, Scale Units, Finishes at Pods All agent podiums and millwork, scale belts, self-check-in kiosks and displays at Alaska's ticketing positions and curbside check-in area. All branded signage and displays.	
5. Airport of the Future Support Space – Proprietary All interior construction of the new demised premises.	
6. Alaska Board Room – Proprietary All interior construction for the new Board Room on the mezzanine.	
7. Alaska Support Space – Proprietary All interior construction of the new demised premises.	
8. Relocation of Alaska The relocation of Alaska and all of its furnishings, equipment and belongings from Terminal 3 to Terminal 6.	
<b>Total</b>	<b>\$18,606,322</b>

**Schedule I – Attachment C**  
**T6 Airline Renovations**

In general, Airline Renovations are improvements that are:

- (a) Usable by any airline operating in Terminal 6.
- (b) To the parts of the building classified as “airline.”
- (c) In cases of base building infrastructure, the portion of the improvement allocated to the Airline cost center based on the ratio of Airline to Public space in Terminal 6.

The specific components are listed below.

Scope Component	Estimated Cost
1. Baggage Make-up System New baggage sortation and make-up conveyor system.	\$8,511,284
2. Primary Power New primary power system to support the new baggage systems.	\$1,945,360
3. Satellite Loading Bridges, PC Air, 400Hz Refurbished passenger loading bridge, PC air and 400HZ at gate 67A. New passenger loading bridge, PC air and 400HZ at gate 65.	\$2,642,437
4. Satellite Extension Renovation (includes items listed below)	\$11,184,212
a. General Renovation All work associated with the renovation of the Satellite Extension, defined as the upper level concourse area supporting gates 66, 67B, 68A, 68B, 69A and 69B.	
b. Airline Common Use Agent Podiums, Millwork, Seating Common use agent podiums, millwork and seating for gates 66, 67B, 68A, 69A and 69B.	
c. Satellite Extension Loading Bridges, PC Air, 400Hz Refurbished passenger loading bridges, PC air and 400HZ at gate 67B and 68A. New passenger loading bridge, PC air and 400HZ at gate 66.	
5. Sterile Corridor & Cameras The extension of the sterile corridor to allow for access to the FIS from gates 67B and 69A.	\$15,699,222
6. Premise Wiring Backbone The wiring, conduit, equipment rooms and equipment for the distribution and networking of telecommunications devices, computers, display devices, paging stations, security cameras and other networkable devices in the terminal.	\$2,790,018

Schedule 1 – Attachment C  
T6 Airline Renovations

Scope Component	Estimated Cost
7. Connector HVAC Replacement Replacement of the air handling unit that supplies HVAC to the Satellite Connector area of the concourse. Includes all associated electrical, ductwork, plumbing and ceiling work.	\$1,948,470
8. FIS Recheck Lobby Modifications Modifications to the existing recheck lobby in the Terminal 6/7 FIS to allow for use by multiple airlines.	\$1,742,187
9. Fire Alarm Upgrade Replacement of existing fire alarm control system.	\$436,428
10. All Other Scope (includes items listed below)	\$95,448,889
a. Inline Screening System New inline baggage screening system, built to current TSA standards to support all activity in Terminal 6. Estimated cost is net of anticipated TSA reimbursement.	
b. All Other Outbound and Inbound Systems All outbound baggage conveyors to feed the new Inline Screening System, including ticket counter and curbside conveyors. New and reconfigured inbound baggage conveyors feeding the existing claim devices.	
c. FIS Recheck System Reconfigured baggage conveyors in the Terminal 6/7 FIS passenger recheck area.	
d. Satellite General Renovation All work associated with the renovation of the Satellite, defined as the concourse area supporting gates 64, 65, 66A and 67A.	
e. Satellite Airline Common Use Agent Podiums, Millwork, Seating Common use agent podiums, millwork and seating for gates 64, 65, 66A and 67A.	
f. Common Use Passenger Processing Installation of equipment to provide common use passenger processing capabilities at gates 64, 65, 66, 67A, 67B, 68A, 68B, 69A and 69B and the ticket counters on west side of the terminal, including computer hardware and display devices.	
g. FIDS New terminal wide common flight information display system.	
h. Paging New terminal wide audio and visual paging system.	

Schedule 1 – Attachment C  
T6 Airline Renovations

Scope Component	Estimated Cost
<p>i. Telephone - Base System New terminal wide voice over IP telephone system to support the common use facilities.</p>	
<p>j. Building Expansion, General Renovation Renovation and expansion of the west ticket lobby.</p>	
<p>k. Security Screening Checkpoint Expansion General Renovation Expansion of the building to accommodate the expanded security screening checkpoint and associated queuing areas. Includes all interior improvements for the expanded checkpoint and a new escalator and elevator.</p>	
<p>l. Arrivals Level General Renovation Renovations to the public areas on the arrivals level, including the renovation of the passenger tunnel.</p>	
<p>m. Board Room - Building Shell Improvements New passenger elevator and egress stairs, exterior glazing and utility feeds to enable the construction of the new Board Room.</p>	
<p>n. Support Space - Creation of Space/Shell Demolition of existing demised premises, replacement/repair of exterior wall systems and utility feeds to enable the construction of new demised premises.</p>	
<p>o. Support Space - Consortium Operations Construction of demised premises for the airline consortium that will operate and maintain the baggage handling system, common use systems and passenger loading bridges.</p>	
<p>p. FIS Escalators Enabling work to support the installation of replacement FIS escalators by LAWA's contractor.</p>	
<p>q. All Others Escalators Enabling work to support the installation of replacement escalators throughout Terminal 6 by LAWA's contractor.</p>	
<p><b>Total</b></p>	<p><b>\$143,778,833</b></p>

**Schedule 1 – Attachment D**  
**T6 Terminal Renovations**

In general, Terminal Renovations are the improvements that are:

- (a) Expansion of the overall building footprint and envelope.
- (b) To the public areas of the building.
- (c) In cases of base building infrastructure, the portion of the improvement allocated to the Public cost center based on the ratio of Airline to Public space in Terminal 6.

The specific components are listed below.

Scope Component	Estimated Cost
1. Primary Power New primary power system to support the new baggage systems.	\$2,377,663
2. Satellite Extension General Renovation All work associated with the renovation of the Satellite Extension, defined as the upper level concourse area supporting gates 66, 67B, 68A, 68B, 69A and 69B.	\$9,140,612
3. Premise Wiring Backbone The wiring, conduit, equipment rooms and equipment for the distribution and networking of telecommunications devices, computers, display devices, paging stations, security cameras and other networkable devices in the terminal.	\$3,410,022
4. Connector HVAC Replacement Replacement of the air handling unit that supplies HVAC to the Satellite Connector area of the concourse. Includes all associated electrical, ductwork, plumbing and ceiling work.	\$2,381,464
5. Fire Alarm Upgrade Replacement of existing fire alarm control system.	\$533,412
6. All Other Scope (includes items listed below)	\$60,080,062
a. Satellite General Renovation All work associated with the renovation of the Satellite, defined as the concourse area supporting gates 64, 65, 66A and 67A.	
b. Paging New terminal wide audio and visual paging system.	
c. Airport of the Future Building Expansion, General Renovation Renovation and expansion of the west ticket lobby.	

Schedule 1 – Attachment D  
T6 Terminal Renovations

Scope Component	Estimated Cost
<p>d. Security Screening Checkpoint Expansion General Renovation Expansion of the building to accommodate the expanded security screening checkpoint and associated queuing areas. Includes all interior improvements for the expanded checkpoint and a new escalator and elevator.</p>	
<p>e. Arrivals Level General Renovation Renovations to the public areas on the arrivals level, including the renovation of the passenger tunnel.</p>	
<p>f. Alaska Board Room - Building Shell Improvements New passenger elevator and egress stairs, exterior glazing and utility feeds to enable the construction of the new Board Room.</p>	
<p>g. Alaska Support Space - Creation of Space/Shell Demolition of existing demised premises, replacement/repair of exterior wall systems and utility feeds to enable the construction of new demised premises.</p>	
<p>h. All Others Escalators Enabling work to support the installation of replacement escalators throughout Terminal 6 by LAWA's contractor.</p>	
<b>Total</b>	<b>\$77,923,234</b>

**AGREEMENT BETWEEN THE CITY OF LOS ANGELES AND ALASKA AIRLINES, INC. FOR REIMBURSEMENT OF COSTS ASSOCIATED WITH THE DESIGN AND CONSTRUCTION OF THE SECURITY PROGRAM IN-LINE BAGGAGE SCREENING SYSTEMS FOR TERMINAL 6 AT LOS ANGELES INTERNATIONAL AIRPORT**

THIS REIMBURSEMENT AGREEMENT (this "Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between the CITY OF LOS ANGELES, a municipal corporation, ("City") acting by order of and through its Board of Airport Commissioners ("Board") and ALASKA AIRLINES, INC. ("ALASKA"), in the CITY OF LOS ANGELES.

**RECITALS**

WHEREAS, the City is the owner of Los Angeles International Airport (the "Airport"), and operates the same through its Department of Airports ("LAWA") for the promotion, accommodation and development of air commerce and air transportation;

WHEREAS Alaska occupies certain areas in Terminal 6 pursuant to the tariff, and the City is negotiating a lease of portions of Terminal 6 to ALASKA as the master tenant;

WHEREAS, ALASKA has requested permission to implement the Security Program In-Line Baggage Screening System Terminal 6 Project at the Airport as more particularly described in Section 2.1 of this Agreement (the "Project");

WHEREAS, the Project will involve the design and construction of a Checked Baggage Inspection System ("CBIS") solution in Terminal 6;

WHEREAS, the objective of the Project is to enhance the baggage screening capabilities and throughput;

WHEREAS, ALASKA has agreed to design and construct the Project at its own expense;

WHEREAS, ALASKA has the expertise, ability, and resources to implement the design and construction of the Project under the terms and conditions set forth herein;

WHEREAS, the City and the United States Department of Homeland Security Transportation Security Administration (the "TSA") entered into (i) an Other Transaction Agreement (HSTS04-09-H-CT1249)(LAA-8470)(the "OTA") on January 12, 2009 attached hereto as Exhibit A and incorporated by reference into this Agreement for the partial funding of architecture and engineering services to produce designs for the inline CBIS solutions for Terminals 1, 2, 4, 6, 7 and 8, and (ii) a Memorandum of Agreement (HSTS04-10-H-CT1022)(LAA-8520)(the "MOA") on February 4, 2010, attached hereto as Exhibit B and incorporated by reference into this Agreement for the partial funding of the design, engineering and construction related services for the in-line CBIS solutions in Terminals 1, 2, 4, 6, 7 and 8; and

WHEREAS, under this Agreement, the City intends to reimburse ALASKA for its expenses of the Project including design and construction management in addition to construction costs (such expenses, "Project Expenses") to the extent that such Project Expenses are recovered by the City from the TSA through the MOA and the OTA.

NOW THEREFORE, in consideration of the terms, covenants, and conditions hereinafter contained to be kept and performed by the respective parties hereto, IT IS MUTUALLY AGREED AS FOLLOWS:

**Section 1. Section Headings.** The section headings appearing herein shall not be deemed to govern, limit, modify or in any manner affect the scope, meaning or intent of the provisions of this Agreement.

**Section 2. Scope of Work.**

2.1 The Project will consist of the modification and construction to be made to Airport's terminal infrastructure and the baggage conveyor system in order to install an in-line CBIS solution in Terminal 6, including all testing to satisfy the TSA requirements and certifications. The scope of work under this Agreement will include, but not be limited to, the design and construction of baggage conveyor components, facility demolition, mechanical, plumbing, electrical, structural, and telecommunications infrastructure to allow for the installation of an explosive detection system ("EDS") machine and Explosive Trace Detection ("ETD") equipment within the baggage screening matrix(s), Checked Baggage Resolution Area, remote multiplexed On-Screen Resolution Room, a CBIS control room, the installation of hardware and software for use with an in-line baggage screening application, and all testing to satisfy TSA requirements and certifications (such work, the "Work").

2.2 All Work performed by ALASKA pursuant to this Agreement shall be accomplished in accordance with design(s) approved by the TSA in accordance with the latest published TSA Planning Guidelines and Design Standards (the "PGDS"), the City of Los Angeles Department of Building and Safety requirements, LAWA's construction approval process and the City's Airport Building Standards and Criteria. The Work shall be in accordance with the PGDS (unless the TSA grants specific variances) and approved by the TSA.

2.3 ALASKA will (i) procure engineering and design services, as well as the associated construction and baggage handling system contractors to undertake the Work, (ii) assume costs incurred over the amount associated with ALASKA's expenses and subsequently recovered by the City from the TSA pursuant to the OTA with respect to the design portion of the Work (such portion, the "Design Work") and the MOA with respect to the construction portion of the Work (such portion, the "Construction Work"), (iii) obtain all necessary licenses, insurance, permits and approvals, and (iv) agree to all "Project Manager" responsibilities, deliverables and related obligations described in the OTA with respect to the Design Work and the MOA with respect to the Construction Work including but not limited to the following:

Responsibilities

1. ALASKA, acting through such contractors/consultants as it may use, will provide the engineering and design services, as well as the associated construction and baggage handling system contractors to undertake the Work. ALASKA will provide oversight of such contractors to ensure the Work is completed pursuant to the requirements of the TSA and the MOA and the OTA and within the prescribed costs of the MOA and the OTA and schedule approved by the TSA.
2. *With respect to the Design Work:* Submit monthly progress status reports and other required TSA documentation to the City for processing to the TSA Project Manager and the TSA Contracting Officer identified in Article VIII – Authorized Representatives of the OTA. The monthly report should provide an executive summary of work performed to date, schedule and expenditure updates, and identify the events to occur within the next 90 days, identify ALASKA and its key contractor/consultant points of contact and use an earned value management approach to identify the cost and schedule variance incurred against work performance completed to date.
3. *With respect to the Construction Work:* Submit monthly milestone and project progress status reports by the 10<sup>th</sup> of each month to the TSA Project Manager, the TSA Contracted Site Lead, and the TSA Contracting Officer as identified in the MOA. Specific requirements for the content of the monthly project status report are identified in Appendix D of the MOA.

Deliverables

The following deliverables are required to be submitted by ALASKA as applicable to the Design Work:

Item	Submitted To:	Frequency or Due Date
Design: Alternative Analysis Schematic, 30%, 70% 100%	TSA Project Manager City	Per the approved schedule
Master Schedule and detailed Estimate of Costs to include Design Work Milestones	TSA Project Manager TSA Contracting Officer (CO) TSA Contracted Site Lead City	Within 30 days of the Agreement signing. Updated on a monthly basis with monthly report as project is underway.
Breakout of cost based on an established Schedule of Values for Design Work	TSA Project Manager TSA Contracting Officer (CO) TSA Contracted Site Lead City	ALASKA to provide upon issuing Notice to Proceed to Contractor and whenever Change Orders are issued
Design Contracts including any subsequent Change Orders	TSA Project Manager TSA CO TSA Contracted Site Lead	Upon Award by ALASKA.
Monthly Project Report (Current and forecasted for the next period's tasks) <ul style="list-style-type: none"> <li>• Tasks completed</li> <li>• Schedule</li> </ul>	TSA Project Manager TSA CO TSA Contracted Site Lead City	Monthly. Electronic submission as well as hard copies.

<ul style="list-style-type: none"> <li>• Budget and actual costs spent to date</li> <li>• Cost variance</li> <li>• Schedule variance</li> <li>• Variance analysis data in excess of 10%</li> <li>• Identify tasks for next 90 days</li> </ul>		
Final invoice for Design Work	TSA Project Manager TSA CO	

The following deliverables are required to be submitted by ALASKA as applicable to the Construction Work:

Item	Submitted To:	Frequency or Due Date
Resource Loaded Master Schedule and Cost Estimate to include Project Milestones (Construction)	TSA Project Manager TSA Contracting Officer (CO) TSA Contracted Site Lead City	Within 30 days of the Agreement signing. Updated on a monthly basis with monthly report as project is underway.
Schedule of Values (Construction, Baggage Handling Contract)	TSA Project Manager TSA Contracting Officer (CO) TSA Contracted Site Lead City	ALASKA to provide upon execution of contracts and issuing Notice to Proceed to the Contractor
Monthly Milestone and Project Report	City	Monthly. Electronic submission as well as hard copies.
Disadvantaged Business Enterprise Utilization Cost Report for all contracts awarded to small business firms	TSA Small Business Coordinator City	March 31 and September 30
Construction		
Mechanical and electrical shop drawings for concurrence with reviewed design submittal	TSA Project Manager TSA Contracted Site Lead City	Upon completion by the BHS contractor
Contract addenda, change order requests, requests for information or clarification	TSA Project Manager TSA Contracted Site Lead City	Upon review and concurrence by the City of a possible deviation from the reviewed design
Close Out Process		
Close Out Process – Correction of testing deficiencies	Close Out Report submitted to TSA Project Manager and TSA Contracted Site Lead City	Initiated after TSA completion of system certification testing and deficiencies have been corrected
PLC code of the CBIS in electronic format	TSA Project Manager City	No later than 30 days after commissioning of system(s)
As build drawings in electronic format, .dwg (AutoCAD) or comparable format	TSA Project Manager City	No later than 30 days after 30-day operational run-in period

Overview of drawings of the Matrix/Node, Resolution Room, OSR Room as applicable, .dwg (AutoCAD) or comparable format	TSA Project Manager City	30 days after 30-day operational run-in period
Final Invoice	TSA Project Manager TSA CO City	No later than 90 days after final sign-off of system by TSA OST, following successful operational run-in period and start of live bag screening
Release of payment/liens from general contractor and sub-contractor	TSA Project manager TSA CO City	
CBIS changes after commissioning		See Post Commissioning Requirements in MOA

2.4 ALASKA will establish and provide to the City and the TSA milestones for the Work that will allow objective measurement of progress toward completion of the Project (“Project Milestones”). With respect to the Design Work, Project Milestones will be provided to the City and the TSA within 30 days after execution of this Agreement. With respect to the Construction Work, Project Milestones for the major phases of the Project (planning, procurement, project execution) will be provided to the City and TSA within 90 days after execution of this Agreement or the applicable Notice to Proceed. The City and the TSA maintain the right to identify additional milestones to be tracked.

**Section 3. Term.** This Agreement shall commence upon the City’s issuance of Notice to Proceed with the Work and shall expire no later than three (3) years thereafter; subject, however, to earlier termination as otherwise provided in this Agreement.

**Section 4. Reimbursement.**

4.1. The City shall reimburse ALASKA for all allowable, allocable and reasonable costs associated with the Work to the extent in which the City receives reimbursement on ALASKA’s behalf from the TSA pursuant to the terms and conditions of the OTA and the MOA. In no event will the City reimburse ALASKA under this Agreement in excess of the amount the City receives for ALASKA’s expenditures from the TSA pursuant to the OTA or the MOA. However, nothing herein shall be construed to prohibit any other reimbursement pursuant to any other agreement, if any, between City and ALASKA.

4.2. TSA and the City will determine allowable and allocable costs in accordance with the OMB Circular A-87 “Cost Principles for State, Local and Indian Tribal Governments” in effect on the effective date of the OTA or the MOA as applicable (the “OMB Circular”), unless otherwise agreed by the City and the TSA in a modification in accordance with Section 15 of this Agreement and the OTA or the MOA. The City will reimburse ALASKA based upon the actual amount received from the TSA through the MOA or the OTA based upon ALASKA’s submitted cost and expenditures. ALASKA shall submit actual expense for the Work, supported by invoices and other documentation to the City in accordance with Section 5. The parties agree that all costs in excess of the amount reimbursed by the TSA under the OTA with respect to he

Design Work and the MOA with respect to the Construction Work for services rendered, as well as any costs that are inconsistent with the OMB Circular shall be borne solely by ALASKA unless otherwise agreed by the City in a modification in accordance with Section 15 of this Agreement. Should the TSA reimbursement amount for ALASKA services represent more than seventy-five percent (75%) with respect to the Design Work, and seventy-five percent (75%) with respect to the Construction Work, of the total, final allowable and allocable, and reasonable costs as determined by the TSA, and a refund be demanded by the TSA, then ALASKA will refund the difference to the City for reimbursement to the TSA.

4.3 The costs for the Work for which the TSA and ultimately the City will reimburse ALASKA are for those costs associated with the Work and allowed under the OTA or the MOA as applicable— as defined in the most current PGDS.

4.4 Other reimbursement limitations are as follows:

- (1) The ceiling for reimbursement of design costs is limited to 8% of the initial Project cost;
- (2) The ceiling for reimbursement of the program management costs pursuant to the MOA is limited to 4% of the initial Project cost; and
- (3) The eligible reimbursable and non-reimbursable costs associated with the Work is identified in the OTA with respect to the Design Work and the MOA with respect to the Construction Work.

#### Section 5. Payment.

5.1 Submission of documentation to the City shall be sufficient to obtain reimbursement from the TSA pursuant to the OTA with respect to the Work and the MOA with respect to the Construction Work. ALASKA shall promptly provide any additional documentation required by the TSA for support of its expenditures and associated reimbursement request.

5.2 ALASKA intends to submit expenditures for the Work, i.e., invoices, proof of payment and other documentation, to the City on a monthly basis for submission to the TSA for payment. The City intends to forward such submissions to the TSA, together with any documentation required by the TSA from the City, within thirty (30) days after receipt from ALASKA, and the City shall diligently pursue obtaining all payments to which the City and ALASKA are due. Upon reimbursement of funds from the TSA pursuant to the OTA with respect to the Design Work and the MOA with respect to the Construction Work for ALASKA's expenditures, the City shall remit such funds to ALASKA within thirty (30) days.

5.3 Interest charges are not eligible for reimbursement.

5.4. The City shall not be required to seek payment from the TSA for Work deemed unsatisfactory by the TSA.

5.5. At a minimum ALASKA shall include with each submittal to the City for each request for reimbursement:

- (1) Agreement number;
- (2) Reimbursement number and date;
- (3) Complete business name and remittance address;
- (4) Point of contact with address, telephone, fax and e-mail address contact information;
- (5) Tax identification number;
- (6) Dollar amount of reimbursement being requested, including the total amount of reimbursement to date;
- (7) Signature of ALASKA's authorized representative and the following certification language: *"This is to certify that the services set forth herein were performed during the period stated and that the incurred costs billed were actually expended for the Project."*; and
- (8) Supporting information for reimbursement requests submitted under this Section 5.5 (the "Support Documentation");

The Support Documentation pursuant to Section 5.5(8) shall contain at minimum the following items:

- (1) An executive summary project overview and work completed during current reimbursement period;
- (2) A summary spreadsheet providing a categorized breakdown of the amount invoiced;
- (3) Spreadsheet detailing the invoices and amounts submitted, including the identification of contractor/consultant, individual invoice numbers, amounts and coding and grand totals;
- (4) Signed, approved and legible copies of each individual contractor's/consultant's invoice to include schedule of values (i.e. AIA 702/03) or statements of work;
  - copies of contracts over \$1 Million and change orders that provide support for the actual work being invoiced
  - vendor and subcontractor invoices with specific details about services provided, as required
  - sub-consultant information showing employees name, rates of pay, dates and hours worked, as required
  - rationale for all allocations or unusual calculations or assumptions
  - Proof of delivery of the equipment to the project sponsor;
- (5) Copies of subcontractors' invoices if listed on a prime contractor's invoice as a single amount (copies of timesheets and detailed backup may be required by the TSA if descriptions are not clear and specific);
- (6) Proof of payment by ALASKA for each invoice in the form of copies of checks/warrants, bank wire transfers, or accounting system transactions;
- (7) Any other documentation as may be necessary or required to obtain TSA reimbursement of ALASKA's expenditures pursuant to the MOA; and

- (8) The final closeout request for reimbursement should include proof that all required deliverables have been provided.

5.7 Upon termination of this Agreement by the City in accordance with Section 16 hereof, ALASKA shall in reasonable time submit to the City all costs incurred and supporting documentation associated with the Work up to the date of the termination. The City shall diligently and in good faith seek and obtain reimbursement from the TSA for ALASKA's expenditures associated with the Work and, within thirty (30) days after receipt from the TSA, pay ALASKA for all reimbursement amounts received from the TSA.

**Section 6. Acceptance and Retention.** With respect to the Design Work, the TSA will retain ten percent (10%) of each approved 75% reimbursement payment pursuant to the OTA until the completion of the Design Work. With respect to the Construction Work, the TSA will retain ten percent (10%) of each approved 75% reimbursement payment pursuant to the MOA until the completion of the Construction Work. Upon the completion and approval by the City and TSA of the Design Work and the Construction Work, and upon receipt from ALASKA of a request for final payment in a form required by the TSA, the City will promptly submit such request for final payment to the TSA. Upon receipt of ALASKA's portion of such retainage by the City, the City shall within thirty (30) days remit such amount to ALASKA.

**Section 7. Funding and Limitations.**

7.1 The City will provide payment to ALASKA in an amount obtained from the TSA pursuant to the MOA or the OTA, as applicable, for ALASKA's work and expenditures associated with this Agreement. Pursuant to the OTA, funds have been obligated and made available for payment for architecture and engineering services to produce designs for the in-line CBIS solutions at LAX Terminals 1, 2, 4, 6, 7 and 8. Pursuant to the MOA, funds have been obligated and made available for payment for design and construction management in addition to construction costs for the in-line CBIS solutions at LAX Terminals 1, 2, 4, 6, 7 and 8.

7.2 The City's liability to make payments to ALASKA is limited to the amount of funds obligated, available and obtained from the TSA for payment hereunder and pursuant to the MOA or the OTA, as applicable, including written modifications to this Agreement.

7.3 Under no circumstances will the City be responsible to reimburse ALASKA for profit or the general costs of ALASKA. ALASKA may recover the allowable direct costs of ALASKA personnel performing work necessary under this Agreement, as well as, the allowable and allocable costs of ALASKA and contractors hired by ALASKA to perform the necessary work under this Agreement. The City will not be responsible for costs incurred by ALASKA, its contractors or agents for work not in compliance with the TSA requirements in this Agreement. The City has the right to recoup any payments made to ALASKA if the City or TSA determines that the reimbursement invoices and associated payment exceed the actual costs incurred, or if the work deviates from the TSA approved design requirements for the Project pursuant to the OTA and the MOA.

7.4 In the event (i) the City agrees with ALASKA to reimburse more than 75% of the allowable, allocable, and reasonable costs for work; and (ii) there is remaining funding available under the MOA after completion of the CBIS projects at LAX; and (iii) the City seeks a higher reimbursement percentage for in-line baggage screening systems project at LAX pursuant to the MOA, then the City shall use its reasonable best efforts to seek from the TSA the higher reimbursement percentage for ALASKA's Work; provided, however, that the City's obligation to ALASKA under this Section 7.4 is (A) contingent upon the TSA providing reimbursement to the City on ALASKA's behalf at such higher reimbursement percentage and (B) limited to the reimbursement amount that the City actually receives on behalf of ALASKA from the TSA under the MOA.

**Section 8. Warranty.** ALASKA warrants that the services provided herein shall conform to the highest professional standards pertinent to respective industry. ALASKA warrants that all materials and equipment furnished pursuant to this Agreement will be new and of good quality unless otherwise specified, and that all workmanship will be of good quality, free from faults and defects and in conformance with the design documents approved by the TSA and the City of Los Angeles Department of Building and Safety.

**Section 9. ALASKA's Responsibilities.**

9.1 The Work costs for which the TSA and ultimately the City will reimburse ALASKA are for those costs associated with the Work for the Project and allowed under the MOA and the OTA. ALASKA shall pay all appropriate costs associated with the Work, including, but not limited to, the City's required insurance types and amounts, security, permits and fees. All such costs will be reimbursed by the City to ALASKA to the extent that those costs are reimbursed to the City by the TSA pursuant to the MOA or the OTA. ALASKA shall assume any and all costs with respect to the Work incurred by ALASKA that are not reimbursed by the TSA to the City.

9.2 ALASKA and its contractors shall be responsible for all civil penalties assessed as a result of failure to comply with any and all present and future rules, regulations, restrictions, ordinances, statutes, laws and/or orders of any federal, state, and/or local government regarding the Project. ALASKA and its contractors shall hold the City harmless and indemnify the City for all civil penalties. All costs not related to the Design Work as described in Section 2 herein, and not submitted and approved by the City prior to the start of the associated work, shall be at the sole cost and sole responsibility of ALASKA and its contractors and at no cost to the City.

**Section 10. Audits.**

10.1 The City and federal government, including the Comptroller General of the United States, has the right to examine or audit relevant financial records for a period not to exceed three (3) years after expiration of the term of this Agreement. ALASKA and its contractors must maintain an established accounting system that complies with generally accepted accounting principles. Records related to disputes arising out of this Agreement shall be maintained and made available until such disputes have been resolved.

10.2 As used in this provision, "records" includes books, documents, accounting procedures and practices, and other data, regardless of type and regardless of whether such items are in written form, in the form of computer data, or in any other form.

10.3 ALASKA shall maintain all records and other evidence sufficient to reflect costs claimed to have been incurred or anticipated to be incurred directly or indirectly in performance of this Agreement. The City, TSA Contracting Officer or the authorized representative of the TSA Contracting Officer shall have the right to examine and audit those records at any time, or from time to time. The right of examination shall include inspection at all reasonable times at the offices of ALASKA or at the offices of ALASKA's contractor(s) responsible for the Project.

10.4 ALASKA will be required to submit cost or pricing data and supporting information in connection with any invoice relating to this Agreement if requested by the City or TSA Contracting Officer.

10.5 Section 10 shall not be construed to require ALASKA, its contractors or its subcontractors to create or maintain any record that they do not maintain in the ordinary course of business pursuant to a provision of law, provided that those entities maintain records which conform to generally accepted accounting practices.

10.6 ALASKA shall insert a clause containing the terms of Section 10 in all its contracts and subcontracts under this Agreement that exceed \$100,000.00 (One Hundred Thousand Dollars).

#### **Section 11. Rules and Regulations.**

11.1 ALASKA shall have sole responsibility for fully complying with any and all present and future rules, regulations, restrictions, ordinances, statutes, laws and/or orders of any federal, state, and/or local government applicable to the Project. ALASKA shall be solely responsible for fully complying with any and all applicable present and/or future orders, directives, or conditions issued, given or imposed by the Executive Director which are now in force or which may be hereafter adopted by the Board and/or the Executive Director with respect to the operation of the Airport. In addition, ALASKA agrees to specifically comply with any and all Federal, State, and/or local security regulations, including, but not limited to, 14 CFR Parts 107 and 108, regarding unescorted access privileges. ALASKA shall be solely responsible for any and all civil and/or criminal penalties assessed as a result of ALASKA's, and/or ALASKA's subcontractors, failure to comply with these stated provisions.

11.2 ALASKA shall comply with the Title VI of the Civil Rights Act of 1964 relating to nondiscrimination. Additionally, FAR Clause 52.203-11 "Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions" is incorporated herein by reference into this Agreement. Contracts awarded by ALASKA as a result of this Project must comply with Federal provisions established by laws and statutes.

11.3 Competition in the award of contracts or procurements resulting from this Project is strongly encouraged and ALASKA should promote competition to the maximum extent practicable.

11.4 ALASKA agrees to include in its contract(s) a provision that the CBIS terminal designs are required to comply with the TSA's PGDS.

11.5 ALASKA shall report funds paid to disadvantaged, women owned or minority business enterprise contractors or subcontractors with cumulative totals to date. This report is required to be submitted semiannually for the period ending March 31 and September 30. The reports shall be due thirty days after the close of each reporting period and are to address the allocation of TSA funded dollars for the Project provided to the disadvantaged business enterprise concerns during the fiscal year.

11.6 ALASKA shall provide any information requested by the TSA to ensure compliance with applicable Federal Environmental Planning and Historic Preservation requirements.

11.7 Construction work performed on LAWA-owned property may require payment of prevailing wages. ALASKA is obligated to make that determination, and shall be bound by and comply with applicable provisions of the California Labor Code and Federal, State, and local laws related to labor. ALASKA shall indemnify and pay and/or reimburse the City for any damages, penalties or fines (including, but not limited to, attorney's fees and costs of litigation) that the City incurs, or pays, as a result of noncompliance with applicable prevailing wage laws in connection with the work performed for the Project.

## Section 12. City Held Harmless.

12.1 Except for the sole negligence or willful misconduct of the City, ALASKA shall indemnify, defend, keep, and hold the City, including its Board, Department and the City's officers, agents, servants, and employees, harmless from any and all costs, liability, damage, or expense (including costs of suit and fees and reasonable expenses of legal services) claimed by anyone by reason of injury to or death of persons, or damage to or destruction of property, including property of ALASKA, sustained in, on, or about the Location or arising out of ALASKA's use or occupancy thereof or Airport, as a proximate result of the acts or omissions of ALASKA, its agents, servants, employees, invitees, or their successors or assigns.

12.2 ALASKA expressly agrees to hold harmless, and to indemnify, the City, its Board, its departments, officers and employees (collectively "indemnities") from, and for, any and all civil penalties sustained, or incurred, by indemnities as a result of ALASKA's, and/or of ALASKA's subcontractors, failure to comply with any of these rules, regulations, restrictions, ordinances, statutes, laws, orders, of any federal, state, and/or local government regarding the Project.

12.3 In addition, ALASKA agrees to protect, defend, indemnify, keep and hold harmless indemnities from and against any and all claims, damages, liabilities, losses and

expenses arising out of any threatened, alleged or actual claim that the end product provided to the City by ALASKA violates any patent, copyright, trade secret, proprietary right, intellectual property right, moral right, privacy, or similar right, or any other rights of any third party anywhere in the world. ALASKA agrees to, and shall, pay all damages, settlements, expenses and costs, including costs of investigation, court costs and attorney's fees, and all other costs and damages sustained or incurred by City arising out of, or relating to, the matters set forth above in this paragraph of the City's "Hold Harmless" agreement.

12.4 In ALASKA's defense of the City under this Section, negotiation, compromise, and settlement of any action, the City shall retain discretion in and control of the litigation, negotiation, compromise, settlement, and appeals there from, as required by the Los Angeles City Charter, particularly Article II, Sections 271, 272 and 273 thereof.

**Section 13. Independent Contractor.** In furnishing the services provided for herein, ALASKA is acting as an independent contractor. ALASKA is to furnish such services in its own manner and method and is in no respect to be considered an officer, employee, servant or agent of the City.

**Section 14. Notices.** Written notices to the City hereunder shall be sent to the Executive Director with a copy sent to the City Attorney of the City of Los Angeles and addressed to said parties at:

**Executive Director  
Department of Airports  
1 World Way  
Post Office Box 92216  
Los Angeles, CA 90009-2216**

**City Attorney  
Department of Airports  
1 World Way  
Post Office Box 92216  
Los Angeles, CA 90009-2216**

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

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

**ALASKA AIRLINES, INC.  
Scott D. Kimball, Manager, Airport Affairs  
Corporate Real Estate  
PO Box 68900 - SEAPZ  
Seattle, WA 98168**

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

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

All such notices, except as otherwise provided herein, may either be delivered personally to the Executive Director or to the Office of the City Attorney, Airport Division, in the one case, or to ALASKA in the other case, or may be deposited in the United States mail, properly addressed as aforesaid with postage fully prepaid by certified or registered mail, return receipt requested, and shall be effective five (5) days after deposit in the mail. Or may be delivered by a nationally recognized overnight commercial courier service that requires the recipient's signature for delivery, and shall be effective one (1) business day after delivery to such courier.

**Section 15. Changes and/or Modifications.** Changes and/or modifications to this Agreement shall be in writing and signed by ALASKA and the City. Any modification shall cite this Agreement and shall state the exact nature of the change and/or modification. No oral statement by any person shall be interpreted as modifying or otherwise affecting the terms of this Agreement. The properly signed modification shall be attached to this Agreement and thereby become a part of this Agreement.

**Section 16. Termination.** The City may terminate this Agreement without cause in the event that the MOA or the OTA with TSA is terminated, without incurring any liability or obligation to ALASKA (other than payment of amounts due and owing and performance of obligations accrued, in each case on or prior to the termination date) by giving ALASKA at least thirty (30) days' prior written notice of termination. Upon receipt of a notice of termination, ALASKA shall take immediate steps to stop the accrual of any additional obligations that might require payment. In the event of termination or expiration of this Agreement, any City funds which have not been spent or obligated for allowable expenses prior to the date of termination, and are not reasonably necessary to cover termination expenses, shall be returned to the City.

**Section 17. Protection of Information.**

17.1 The parties agree that they shall take appropriate measures to protect all proprietary, privileged, confidential, or otherwise "Sensitive Security Information (SSI)" as defined in 49 CFR Parts 15 and 1520, that may come into their possession as a result of this Agreement.

17.2 No Sensitive Security Information (SSI) concerning the scope of this Agreement, shall be published or released to the public without prior written approval of the City.

17.3 All Sensitive Security Information (SSI) shall be handled in accordance with City and TSA policies and regulations. All persons assigned to work under this Agreement are subject to the provisions of 49 CFR Part 1520, Protection of Sensitive Security Information, because they act for, or carry out duties for, or on behalf of the TSA. Sensitive Security Information (SSI) may not be disclosed except in accordance with the provisions of that rule or where TSA otherwise approves.

17.4 ALASKA shall not make publicity or public affairs activities related to the subject matter of this Agreement unless written approval has been received from the City and TSA Office of Security Technology or the TSA Office of Strategic Communication and Public Affairs.

**Section 18. Survival of Provisions.** The following provision of this Agreement shall survive the termination of this Agreement: Section 10; Section 17; and Section 18.

**Section 19. Entire Agreement.** The provisions of this Agreement contain the entire agreement between the parties hereto, and said Agreement may not be changed or modified in any manner except by written amendment, fully executed by the City and ALASKA.

**Section 20. Assignments and Transfers Prohibited.**

20.1 ALASKA shall not, in any manner, directly or indirectly, by operation of law or otherwise, hypothecate, assign, transfer, or encumber this Agreement, or any portion thereof or any interest therein, in whole or in part, without the prior, written consent of Executive Director.

20.2 For purposes of this Agreement, the terms "transfer" and "assign" shall include, but not be limited to, the following: (i) if ALASKA is a joint venture, a limited liability company, or a partnership, the transfer of fifty percent (50%) or more of the interest or membership in the joint venture, the limited liability company, or the partnership; (ii) if ALASKA is a corporation, any cumulative or aggregate sale, transfer, assignment, or hypothecation of fifty percent (50%) or more of the voting shares of ALASKA; (iii) the dissolution by any means of ALASKA; and, (iv) a change in business or corporate structure. Any such transfer, assignment, mortgaging, pledging, or encumbering of ALASKA without the written consent of the Executive Director is a violation of this Agreement and shall be voidable at the City's option and shall confer no right, title, or interest in or to this Agreement upon the assignee, mortgagee, pledgee, encumbrancer, or other lien holder, successor, or purchaser.

**Section 21. Miscellaneous Provisions.**

21.1 **Fair Meaning.** The language of this Agreement shall be construed according to its fair meaning, and not strictly for or against either the City or ALASKA.

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

21.3 **Two Constructions.** It is the intention of the parties hereto that if any provision of this Agreement is capable of two constructions, one of which would render the provision void and the other of which would render the provision valid, then the provision shall have the meaning which renders it valid.

21.4 **Laws of California.** This Agreement shall be construed and enforced in accordance with the laws of the State of California and venue shall lie at the Southwest District of the Los Angeles Superior Court.

21.5 **Gender.** The use of any gender herein shall include all genders, and the use of any number shall be construed as the singular or the plural, all as the context may require.

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

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers on the day and year stated above.

**APPROVED AS TO FORM:**  
Carmen A. Trutanich, City Attorney

**CITY OF LOS ANGELES**  
**DEPARTMENT OF AIRPORTS**

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

By: \_\_\_\_\_  
Executive Director  
Department of Airports

By: \_\_\_\_\_  
Deputy/Assistant City Attorney

By: \_\_\_\_\_  
Deputy Executive Director  
Comptroller  
Department of Airports

ATTEST:

**ALASKA AIR LINES, INC.**

By: \_\_\_\_\_  
Secretary (Signature)

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

[SEAL]

\_\_\_\_\_  
Print Title

SCHEDULE 2

Insurance

## INSURANCE REQUIREMENTS FOR LOS ANGELES WORLD AIRPORTS

**NAME:** Los Angeles World Airports and Alaska Airlines, Inc.

**AGREEMENT / ACTIVITY:** Airline Terminal Space Lease and license Agreement for T-6 at LAX

**TERM:** Ten (10) years

**LAWA DIVISION:** Terminals Business Management

The insured must maintain insurance coverage at limits normally required of its type operation; however, the following coverage noted with an "X" are the minimum required and must be at least the level of the Combined Single Limits indicated.

	<u>LIMITS</u>
<input checked="" type="checkbox"/> Workers' Compensation (Statutory)/Employer's Liability <input checked="" type="checkbox"/> Broad Form All States Endorsement <input checked="" type="checkbox"/> Voluntary Compensation Endorsement (*) Longshoremen's and Harbor Workers' Compensation Act Endorsement <input checked="" type="checkbox"/> Waiver of Subrogation (Specifically naming LAWA. Blanket Endorsements are not acceptable).	<u>Statutory</u>
<input checked="" type="checkbox"/> Automobile Liability - covering owned, non-owned & hired auto	<u>\$10,000,000 CSL</u>
<input checked="" type="checkbox"/> Aviation/Airport Liability, including the following coverage: <u>OR</u>	<u>\$10,000,000 CSL</u>
<input checked="" type="checkbox"/> Commercial General Liability /Airport Liability	<u>\$10,000,000 CSL</u>
<input checked="" type="checkbox"/> Premises and Operations <input checked="" type="checkbox"/> Contractual (Blanket/Schedule) <input checked="" type="checkbox"/> Independent Contractors (*) Hangarkeepers Legal Liab. <input checked="" type="checkbox"/> Personal Injury <input checked="" type="checkbox"/> Additional Insured endorsement, specifically naming LAWA (Blanket Endorsements are not acceptable). <input checked="" type="checkbox"/> Aircraft Liability (including passenger Liability)	

**Limit of Liability must meet Federal Requirements or as follows, whichever is greater:**

Commuters with 60 or fewer passengers or Cargo only, with payload less than 18,000 lbs. -----	\$ 50,000,000 CSL
Air Carriers with more than 60 passengers or Cargo only, With payload greater than 18,000 lbs. -----	\$ 200,000,000 CSL

<input checked="" type="checkbox"/> Property Insurance	<u>Value of Improvements</u>
90% Co-Ins. <input type="checkbox"/> Actual Cash Value <input checked="" type="checkbox"/> Replacement Value <input type="checkbox"/> Agreed Amt. <input checked="" type="checkbox"/> Covering airline improvements, w/waiver of subrogation (Department does not insure tenant improvements) <input checked="" type="checkbox"/> Fire & Basic Causes of Loss Form, including sprinkler leakage <input checked="" type="checkbox"/> Vandalism & Malicious Mischief <input checked="" type="checkbox"/> Debris Removal	

<u>***</u> Coverage for Hazardous Substances	Sudden Occurrence	\$ ***
	Non-sudden Occurrence	\$ ***

Comments:                   \* if exposure exists, coverage is required.  
                                  \*\*\*Must meet Federal and/or State requirements.

INSURANCE COMPANIES MUST HAVE A BEST RATING OF A- OR BETTER, WITH A MINIMUM FINANCIAL SIZE OF AT LEAST  
 4. PLEASE RETURN THIS FORM WITH EVIDENCE OF INSURANCE

SCHEDULE 3

Maintenance Schedule

Maintenance Schedule

	All Areas	Demised Premises	Equipment Lease	Terminal Common Areas	Building Exterior and/or Ramp
<b>EQUIPMENT</b>					
Gate jetways, 400 Hz aircraft power, pre-conditioned air, potable water	N/A	N/A	Tenant at Preferential Holdrooms	N/A	Tenant at Preferential Holdrooms
Baggage carousels (inbound)	NA	N/A	Tenant	N/A	N/A
Baggage Handling Systems	N/A	N/A	Tenant	N/A	N/A
Interline bag belt systems and carousels	Tenant	N/A	N/A	N/A	N/A
Common Use Infrastructure*	N/A	N/A	Tenant	N/A	N/A
Ticket counters	N/A	Tenant	N/A	N/A	N/A
Signage	By Owner	N/A	N/A	N/A	N/A
Battery Chargers	By Owner	N/A	N/A	N/A	N/A
<b>BASE BUILDING SYSTEMS</b>					
Fire sprinkler and fire-life-safety systems	Landlord, unless modified by Tenant				
Master electrical panels and main electrical equipment	Landlord				
Electrical equipment, sub-panels, and distribution	N/A	Tenant	N/A	Landlord	Tenant
Light bulbs, fixtures, and components	N/A	Tenant	N/A	Landlord	Landlord
Telephones and data lines	N/A	Tenant	N/A	N/A	N/A
Telecommunications conduits serving two or more prime tenants/prime users	Landlord	N/A	N/A	N/A	N/A
Shared water and sewer lines	Landlord	N/A	N/A	N/A	N/A
Single user water and sewer system from main, meter or shared system to and including Demised Premises	N/A	Tenant	N/A	Landlord	Landlord
HVAC systems connected to Landlord provided chilled/hot water	Landlord	N/A	N/A	N/A	N/A
HVAC stand alone systems	Tenant				
LAWA ACAMS	Landlord				
<b>PAVEMENT</b>					
Spill removal	Landlord	N/A	N/A	N/A	Tenant to the extent caused by Tenant
Scheduled ramp sweeping, scrubbing	N/A	N/A	N/A	N/A	Tenant at Preferential Holdrooms
Surface markings, including lead-in lines, nose wheel, aircraft safety envelope, and equipment staging	N/A	N/A	N/A	N/A	Tenant at Preferential Holdrooms

Schedule 1  
Maintenance Schedule

	All Areas	Demised Premises	Equipment Lease	Terminal Common Areas	Building Exterior and/or Ramp
Ramp paved surfaces	N/A	N/A	N/A	N/A	Landlord
Guardrails protecting Landlord property	N/A	N/A	N/A	N/A	Landlord
Ramp-side dumpster and trash removal	Landlord	N/A	N/A	N/A	N/A
<b>STRUCTURAL ELEMENTS</b>					
Building exterior and roof, incl. glass	Landlord	N/A	N/A	N/A	N/A
Entrance doors from/to or within Demised Premises, incl. Locks	N/A	Tenant	N/A	Tenant	N/A
Carpeted areas: interior partitions, doors, finishes, furnishings, treatments	N/A	Tenant	N/A	Landlord	N/A
Hard floor areas, including restrooms: interior partitions, doors, finishes, furnishings, treatments	N/A	Tenant	N/A	Landlord	N/A
<b>JANITORIAL</b>					
Basic Janitorial	N/A	Tenant	N/A	Landlord	Landlord (window cleaning only)
High Areas, including ceilings	N/A	Tenant	N/A	Landlord	N/A
Gate Jetways	N/A	N/A	Tenant at Preferential Holdrooms	N/A	N/A
Carpeted areas: floors, furnishings, and trash receptacles	N/A	Tenant	Tenant at Preferential Holdrooms	Landlord	N/A
Hard floor areas, including restrooms: floors, furnishings, and trash receptacles	N/A	Tenant	N/A	Landlord	N/A
Scheduled Ramp sweeping and scrubbing	Landlord				
Apron	Landlord				
ART and LANDSCAPING installed by Tenant	Tenant	N/A		N/A	N/A

Note 1 -The Landlord's maintenance and repair responsibilities are limited to the activities designated on this exhibit.

Note 2 -The Tenant's maintenance and repair responsibilities shall also include, in addition to the above, areas and equipment that are not designated on this exhibit and which are not subject to any agreement between the Landlord and a third party for maintenance and repair.

\*Common Use Infrastructure systems such as a common use processing system, a flight information display system, a paging system and wireless network in the Terminal, including, but not limited to, the display devices, workstations, microphone stations, speakers, the electrical and telecommunications infrastructure, and the computer hardware and software required to support the systems

## SCHEDULE 4

### Basic Information

#### Terminal

Terminal 6

#### Demised Premises

See Exhibit A

#### Construction Base Rent

\$349,165.29 per month subject to Section 2.1.1.2

#### Base Rent

See Alaska Base Rent Matrix attached to this Schedule 4

#### Baggage Handling Systems Rent

To be determined pursuant to Section 2.6.3.3.

#### Common Use Systems Additional Rent

To be determined pursuant to Section 2.6.4.1.

#### Boarding Bridges Additional Rent

To be determined pursuant to Section 2.6.5.3.

#### Related Equipment Additional Rent

To be determined pursuant to Section 2.6.5.4.

#### Permitted Uses

To conduct and operate the business of an air transportation carrier.

#### Performance Guaranty Amount

\$1,047,500

Tenant Addresses for Notices

Alaska Airlines, Inc.  
P.O. Box 68900  
Seattle, WA 98168-0900  
Attn: Corporate Real Estate Dept. (SEAPZ)

Telecopier No.206-392-5031  
Electronic Mail Address: [Scott.Kimball@AlaskaAir.com](mailto:Scott.Kimball@AlaskaAir.com)

Overnight Mailing Address only:  
Alaska Airlines, Inc.  
19300 International Blvd.  
SeaTac, WA 98188  
Attn: Corporate Real Estate Dept. (SEAPZ)

## Alaska Base Rent Scenarios

	UCC adopted	UCC not adopted
<p>AWA Base Rent Improvements</p>	<p>Upon the Board's adoption of the Unified Capital Charge and the imposition of the Unified Capital Charge on airlines subject to the Tariff, the Tenant acknowledges and agrees that the Tenant shall be subject to the Rental Rate (or its equivalent) pursuant to the Unified Capital Charge. Accordingly, upon the adoption by the Board of the Unified Capital Charge, the Rental Rate under this Lease shall be the Rental Rate (or its equivalent) imposed pursuant to the Unified Capital Charge until the expiration or earlier termination of the Term.</p> <p>T6 Base Rental Rate = Unified Capital Charge (UCC)</p> <p><b>Rent:</b>                      Adopted UCC rate X Alaska sq feet = Base Rent</p>	<p>The rental rate for Alaska's space shall be determined by dividing all applicable base building charges for such calendar year allocated to airline areas in T6 (including land rent, debt service, coverage, amortization) by airline square feet in the terminal. Such rental rate shall be adjusted each calendar year</p> <p>T6 Base Rental Rate = Applicable actual annual base building charges allocated to airline areas in T6 including land rent, debt service, coverage and amortization / T6 Airline areas square footage</p> <p><b>Rent:</b>                      T6 Base Rental Rate X Alaska sq feet = Base Rent</p>

**Example of application of the above base rent methodology (for the purposes of illustration only):**

Under the following conditions:

- T6 Pre-existing improvements allocated to airline areas = \$10/sq ft (\$1,000,000 requirement)
- Value of Acquired Alaska T6 improvements allocated to airline areas = \$35/sq ft (\$3,500,000 requirement)
- UCC estimate = \$40/sq ft (\$4,000,000 requirement)
- Alaska Demised = 100,000 sq ft

***If the UCC is adopted:***

- The estimated rent would be:  $\$40 \times 100,000 = \$4,000,000$  invoiced and paid by Alaska

***If the UCC is not adopted:***

- The estimated rent would be:  $(\$10 + \$35) \times 100,000 = \$4,500,000$  invoiced and paid by Alaska

ANNEX A

Joint Use Factors

Terminal 1

Airline User Factor	10%
Airline Flight Factor	55%
Airline Passenger Factor	35%
	100%

Terminal 2

Airline User Factor	10%
Airline Flight Factor	55%
Airline Passenger Factor	35%
	100%

Terminal 3

Airline User Factor	10%
Airline Flight Factor	55%
Airline Passenger Factor	35%
	100%

Terminal 4

Airline User Factor	10%
Airline Flight Factor	55%
Airline Passenger Factor	35%
	100%

Terminal 5

Airline User Factor	10%
Airline Flight Factor	55%
Airline Passenger Factor	35%
	100%

Terminal 6

Airline User Factor	10%
Airline Flight Factor	55%
Airline Passenger Factor	35%
	100%

Terminal 7

Airline User Factor	10%
Airline Flight Factor	55%
Airline Passenger Factor	35%
	100%

Terminal 8

Airline User Factor	10%
Airline Flight Factor	55%
Airline Passenger Factor	35%
	100%

Tom Bradley International Terminal

Airline User Factor	10%
Airline Flight Factor	55%
Airline Passenger Factor	35%
	100%

EXHIBIT A

Description of Demised Premises

## Alaska Airlines Terminal 6 Lease at LAX

### Exhibit A - Summary

Slr	Sp	Area Description	Lease Commencement	Rent Commencement/Lease Purchase
2	Part of 16	Baggage Claim Area and Baggage Claim Office		8,000
6	31-34	Airline Ticket Office		550
5	Various	Ticketing Counter	11,000	4,000
6	Part of 1	Airline Baggage Matrix <sup>1</sup>		3,000
6	Part of 3	Outbound Baggage Make-Up		9,960
6	Part of 5	Baggage Control Room		3,000
7	Various	Ramp Level Offices		9,400
8	Various	Ramp Level Office Under Satellite Extension		4,200
11	1 & 5	Gate 64 Holdroom		2,250
11	8 & 18	Gate 65 Holdroom		2,250
11	45	Gate 66A Holdroom		1,300
11	35	Gate 67A Holdroom		2,500
12	Part of 2 & 3	Satellite Extension Holdroom - Gate 66B, 67B, 69A		11,500
13	1	Mezzanine Area	4,990	5,000
*		Additional Area Needed - TBD		500
		Total	15,990	67,410

**Notes:**

- <sup>1</sup> Construction Rent charge provides for the use of all premises required for all aspects of construction Alaska is approved to make in Terminal 6.
- <sup>2</sup> Square Footage will be updated upon completion of Alaska construction and receipt of as-built drawings.
- <sup>3</sup> Adjustment needed for TSA Equipment after construction.

REVISED: March 25, 2011

## EXHIBIT B

### Summary of Computation and Allocation Method for Terminal Expenses

1. Description of Cost Centers. Cost centers at the Airport are those functions or physically discrete areas that are used to account for costs incurred by the Landlord to own (or otherwise provide), maintain, operate, construct, develop, and administer the Airport. There are two types of cost centers used to account for costs at the Airport: (1) direct cost centers, which are each related to a defined physical area of the Airport that serves a particular function, and (2) indirect cost centers, which are related to service functions that support the direct cost centers. The following are the direct and indirect cost centers used to account for costs at the Airport:

#### Direct Cost Centers

Terminals - the Terminals cost center comprises the land and all passenger terminal buildings and other related and appurtenant facilities, whether owned, operated, or maintained by the Landlord. Facilities include the passenger terminal buildings located in the central terminal area, passenger terminal buildings located outside the central terminal area, associated concourses, holdrooms, passenger tunnels, and all other facilities that are a part of the passenger terminal buildings.

Airfield - the Airfield cost center comprises those portions of the Airport (excluding the aircraft aprons associated with the terminal, general aviation, cargo, and aircraft maintenance facilities) providing for the landing, taking off, and taxiing of aircraft, including approach and turning zones, clear zones, navigation or other easements, runways, a fully integrated taxiway system, runway and taxiway lights, and other appurtenances related to the aeronautical use of the Airport, including any property acquired for noise mitigation purposes.

Apron - the Apron cost center comprises the land and paved areas primarily adjacent to passenger terminal buildings, but also includes remote parking areas that provide for the parking, loading, and unloading of passenger aircraft. The Apron cost center does not include aprons associated with general aviation, cargo, or aircraft maintenance facilities.

Aviation - the Aviation cost center comprises the land and facilities related to air cargo, general aviation, fixed-base operations, aircraft fueling, aircraft maintenance, in-flight catering, and other aviation-related services.

Commercial - the Commercial cost center comprises the land and facilities not located in the Terminal cost centers and that are provided for nonaeronautical commercial and industrial activities, including public automobile parking, car rental service centers, golf courses, the Theme Building, and the Proud Bird restaurant.

## Indirect Cost Centers

Access – the Access cost center includes the costs of facilities and services for on-Airport and off-Airport ground access for vehicles and pedestrians, including airside and landside access, and Airport access generally. It also includes the costs of increasing, preserving, or managing the capacity of the Airport's access facilities.

Systems – the Systems cost center includes the costs of airport systems, including electrical distribution system, gas distribution system, potable water distribution system, chilled water distribution system, storm and sanitary sewer system, and industrial waste disposal.

General Maintenance – the General Maintenance cost center includes the costs of maintenance services, facilities, and equipment that cannot be directly allocated to other cost centers.

General Administration – the General Administration cost center includes the general administrative and support costs related to providing, maintaining, operating, and administering the Airport that cannot be directly allocated to other cost centers.

2. Allocation Methods. Expenses directly attributable to the Terminal, direct expenses allocable to all terminals, and indirect Administrative and Access cost center expenses are allocated to the Terminal as follows:

(i) Wherever possible, expenses directly attributable to the Terminal are allocated to the Terminal.

(ii) Any direct expenses not directly allocated to the Terminal, and that are common to all terminals or the Terminals cost center, will be allocated to the Terminal on the following basis:

- 20 percent will be allocated equally among all of the passenger terminals at the Airport;
- 40 percent will be allocated based on the Terminal's proportion of total passenger enplanements for the Airport; and

- 40 percent will be allocated based on the Terminal's proportion of total Terminal Rentable Area for all passenger terminals at the Airport.

(iii) Expenses attributable to Airport administrative divisions are allocated to the Terminals cost center based on its proportion of total direct expenses. Administrative expenses allocated to the Terminals cost center are then further allocated to the Terminal on the basis of the Terminal's proportion of total direct expenses.

(iv) Expenses directly allocated to the Access cost center are allocated to the Terminals cost center and all other direct cost centers on the basis of the ratio of land area by cost center. Access costs allocated to the Terminals cost center are then further allocated to the Terminal on the basis of the Terminal's pro-rata share of direct expenses.

## EXHIBIT C

### Summary of Computation and Allocation Method for Airport Infrastructure Charges

Airport Infrastructure Charges for the indirect cost centers<sup>1</sup> are allocated to the Terminal as follows:

(i) Airport Infrastructure Charges directly attributable to the indirect cost centers are allocated to the Terminals cost center in the following order:

a. First allocation – Airport Infrastructure Charges directly allocated to the Systems cost center are allocated to all direct and the remaining three indirect cost centers on the basis of the ratio of land area by cost center;

b. Second allocation – Airport Infrastructure Charges directly allocated to the General Maintenance cost center are allocated to the Terminals cost center, all other direct cost centers, and the remaining two indirect cost centers on the basis of the ratio of maintenance salary expenses by cost center;

c. Third allocation – Airport Infrastructure Charges directly allocated to the General Administration cost center are allocated to the Terminals cost center, all other direct cost centers, and the remaining indirect cost center on the basis of the ratio of operating expenses by cost center; and

d. Fourth allocation – Airport Infrastructure Charges directly allocated to the Access cost center are allocated to the Terminals cost center and all other direct cost centers on the basis of the ratio of land area by cost center.

(ii) Airport Infrastructure Charges allocable to the Terminals cost center will be further allocated to the Terminal on the following basis:

a. 20 percent will be allocated equally among all of the passenger terminals at the Airport;

b. 40 percent will be allocated based on the Terminal's proportion of total passenger enplanements for the Airport; and

c. 40 percent will be allocated based on the Terminal's proportion of total Terminal Rentable Area for all passenger terminals at the Airport.

---

<sup>1</sup> References to cost centers in this Exhibit C are used with the meanings described in Exhibit B.

## EXHIBIT D

### Summary of Computation and Allocation Method for Terminal Capital Charges

For any calendar month, Terminal Capital Charges comprise all capital charges directly related to the Terminal and incurred or accrued by the Landlord during the month, including the following:

(i) Amounts required to be deposited to the debt service funds created under an Airport Debt Instrument in connection with the issuance of Airport Debt directly attributable to the Terminal, including any fees and amounts associated with the Airport Debt and that are directly attributable to the Terminal.

(ii) Coverage Expenses related to Airport Debt directly attributable to the Terminal.

(iii) Amortization amounts required to recover or repay costs of capital improvements directly attributable to the Terminal and not debt-financed (and the cost of which exceeds the Capital Improvement Floor Amount in any single year), in substantially equal annual installments over a fixed term selected by the Landlord in its direction and including interest at such rate as the Landlord shall in its discretion determine from time to time to fairly reflect the Landlord's cost of funds.

(iv) The cost of any other capital item directly attributable to the Terminal that is below the Capital Improvement Floor Amount, and therefore not amortized.

Terminal Capital Charges common to more than one passenger terminal will be allocated to the Terminal on the following basis:

- a. 20 percent will be allocated equally among the passenger terminals;
- b. 40 percent will be allocated based on the Terminal's proportion of total passenger enplanements at the passenger terminals; and
- c. 40 percent will be allocated based on the Terminal's proportion of total Terminal Rentable Area for the passenger terminals.

EXHIBIT E

Intentionally Omitted

EXHIBIT F

Equal Employment Practices

# LOS ANGELES ADMINISTRATIVE CODE

## Div. 10, Ch. 1, Art. 1

### EQUAL EMPLOYMENT

#### Sec. 10.8.3. Equal Employment Practices Provisions.

Every non-construction contract with or on behalf of the City of Los Angeles for which the consideration is \$1,000 or more, and every construction contract for which the consideration is \$1,000 or more, shall contain the following provisions, which shall be designated as the **EQUAL EMPLOYMENT PRACTICES** provision of such contract:

A. During the performance of this contract, the contractor agrees and represents that it will provide equal employment practices and the contractor and each subcontractor hereunder will ensure that in his or her employment practices persons are employed and employees are treated equally and without regard to or because of race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.

1. This provision applies to work or service performed or materials manufactured or assembled in the United States.
2. Nothing in this section shall require or prohibit the establishment of new classifications of employees in any given craft, work or service category.
3. The contractor agrees to post a copy of Paragraph A hereof in conspicuous places at its place of business available to employees and applicants for employment.

B. The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to their race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.

C. As part of the City's supplier registration process, and/or at the request of the awarding authority, or the Board of Public Works, Office of Contract Compliance, the contractor shall certify in the specified format that he or she has

not discriminated in the performance of City contracts against any employee or applicant for employment on the basis or because of race, religion, national origin, ancestry, sex, sexual orientation, age, disability, marital status or medical condition.

D. The contractor shall permit access to and may be required to provide certified copies of all of his or her records pertaining to employment and to employment practices by the awarding authority or the Office of Contract Compliance for the purpose of investigation to ascertain compliance with the Equal Employment Practices provisions of City contracts. On their or either of their request the contractor shall provide evidence that he or she has or will comply therewith.

E. The failure of any contractor to comply with the Equal Employment Practices provisions of this contract may be deemed to be a material breach of City contracts. Such failure shall only be established upon a finding to that effect by the awarding authority, on the basis of its own investigation or that of the Board of Public Works, Office of Contract Compliance. No such finding shall be made or penalties assessed except upon a full and fair hearing after notice and an opportunity to be heard has been given to the contractor.

F. Upon a finding duly made that the contractor has failed to comply with the Equal Employment Practices provisions of a City contract, the contract may be forthwith canceled, terminated or suspended, in whole or in part, by the awarding authority, and all monies due or to become due hereunder may be forwarded to and retained by the City of Los Angeles. In addition thereto, such failure to comply may be the basis for a determination by the awarding authority or the Board of Public Works that the said contractor is an irresponsible bidder or proposer pursuant to the provisions of Section 371 of the Charter of the City of Los Angeles. In the event of such a determination, such contractor shall be disqualified from being awarded a contract with the City of Los Angeles for a period of two

years, or until the contractor shall establish and carry out a program in conformance with the provisions hereof.

G. Notwithstanding any other provision of this contract, the City of Los Angeles shall have any and all other remedies at law or in equity for any breach hereof.

H. The Board of Public Works shall promulgate rules and regulations through the Office of Contract Compliance, and provide necessary forms and required language to the awarding authorities to be included in City Request for Bids or Request for Proposal packages or in supplier registration requirements for the implementation of the Equal Employment Practices provisions of this contract, and such rules and regulations and forms shall, so far as practicable, be similar to those adopted in applicable Federal Executive orders. No other rules, regulations or forms may be used by an awarding authority of the City to accomplish the contract compliance program.

I. Nothing contained in this contract shall be construed in any manner so as to require or permit any act which is prohibited by law.

J. At the time a supplier registers to do business with the City, or when an individual bid or proposal is submitted, the contractor shall agree to adhere to the Equal Employment Practices specified herein during the performance or conduct of City Contracts.

K. Equal Employment Practices shall, without limitation as to the subject or nature of employment activity, be concerned with such employment practices as:

1. Hiring practices;
2. Apprenticeships where such approved programs are functioning, and other on-the-job training for non-apprenticeable occupations;
3. Training and promotional opportunities; and
4. Reasonable accommodations for persons with disabilities.

L. All contractors subject to the provisions of this section shall include a like provision in all subcontracts awarded for work to be performed under the contract with the City and shall impose the same obligations, including but not limited to filing and reporting obligations, on the subcontractors as are applicable to the contractor. Failure of the contractor to comply with this requirement or to obtain the compliance of its subcontractors with all such obligations shall subject the contractor to the imposition of any and all sanctions allowed by law, including but not limited to termination of the contractor's contract with the City.

#### SECTION HISTORY

*Amended by: Ord. No.147,030, Eff. 4-28-75; Paragraphs A., B., C., Ord. No. 164,516, Eff. 4-13-89; Paragraphs C., Ord. No.168,244, Eff. 10-18-92; Ord. No. 173,186, Eff. 5-22-00; Subsec. F., Ord. No.173,285, Eff. 6-26-00, Oper. 7-1-00.*

EXHIBIT G

Affirmative Action

# LOS ANGELES ADMINISTRATIVE CODE

## Div. 10, Ch. 1, Art. 1

### AFFIRMATIVE ACTION

#### Sec. 10.8.4. Affirmative Action Program Provisions.

Every non-construction contract with or on behalf of the City of Los Angeles for which the consideration is \$100,000 or more and every construction contract with or on behalf of the City of Los Angeles for which the consideration is \$5,000 or more shall contain the following provisions which shall be designated as the **AFFIRMATIVE ACTION PROGRAM** provisions of such contract:

A. During the performance of a City contract, the contractor certifies and represents that the contractor and each subcontractor hereunder will adhere to an affirmative action program to ensure that in its employment practices, persons are employed and employees are treated equally and without regard to or because of race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.

1. This provision applies to work or services performed or materials manufactured or assembled in the United States.

2. Nothing in this section shall require or prohibit the establishment of new classifications of employees in any given craft, work or service category.

3. The contractor shall post a copy of Paragraph A hereof in conspicuous places at its place of business available to employees and applicants for employment.

B. The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to their race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.

C. As part of the City's supplier registration process, and/or at the request of the awarding authority or the Office of Contract Compliance, the contractor shall certify on an electronic or hard copy form to be supplied, that the contractor has not discriminated in the performance of City contracts against any employee or applicant for employment on the basis or because of race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.

D. The contractor shall permit access to and may be required to provide certified copies of all of its records pertaining to employment and to its employment practices by the awarding authority or the Office of Contract Compliance, for the purpose of investigation to ascertain compliance with the Affirmative Action Program provisions of City contracts, and on their or either of their request to provide evidence that it has or will comply therewith.

E. The failure of any contractor to comply with the Affirmative Action Program provisions of City contracts may be deemed to be a material breach of contract. Such failure shall only be established upon a finding to that effect by the awarding authority, on the basis of its own investigation or that of the Board of Public Works, Office of Contract Compliance. No such finding shall be made except upon a full and fair hearing after notice and an opportunity to be heard has been given to the contractor.

F. Upon a finding duly made that the contractor has breached the Affirmative Action Program provisions of a City contract, the contract may be forthwith cancelled, terminated or suspended, in whole or in part, by the awarding authority, and all monies due or to become due hereunder may be forwarded to and retained by the City of Los Angeles. In addition thereto, such breach may be the basis for a determination by the awarding authority or the Board of Public Works that the said contractor is an irresponsible bidder or proposer pursuant to the provisions of Section

371 of the Los Angeles City Charter. In the event of such determination, such contractor shall be disqualified from being awarded a contract with the City of Los Angeles for a period of two years, or until he or she shall establish and carry out a program in conformance with the provisions hereof.

G. In the event of a finding by the Fair Employment and Housing Commission of the State of California, or the Board of Public Works of the City of Los Angeles, or any court of competent jurisdiction, that the contractor has been guilty of a willful violation of the California Fair Employment and Housing Act, or the Affirmative Action Program provisions of a City contract, there may be deducted from the amount payable to the contractor by the City of Los Angeles under the contract, a penalty of TEN DOLLARS (\$10.00) for each person for each calendar day on which such person was discriminated against in violation of the provisions of a City contract.

H. Notwithstanding any other provisions of a City contract the City of Los Angeles shall have any and all other remedies at law or in equity for any breach hereof.

I. The Public Works Board of Commissioners shall promulgate rules and regulations through the Office of Contract Compliance and provide to the awarding authorities electronic and hard copy forms for the implementation of the Affirmative Action Program provisions of City contracts, and rules and regulations and forms shall, so far as practicable, be similar to those adopted in applicable Federal Executive Orders. No other rules, regulations or forms may be used by an awarding authority of the City to accomplish this contract compliance program.

J. Nothing contained in City contracts shall be construed in any manner so as to require or permit any act which is prohibited by law.

K. The contractor shall submit an Affirmative Action Plan which shall meet the requirements of this chapter at the time it submits its bid or proposal or at the time it registers to do business with the City. The plan shall be subject to approval by the Office of Contract Compliance prior to award of the contract. The awarding authority may also require contractors and suppliers to take part in a pre-registration, pre-

bid, pre-proposal, or pre-award conference in order to develop, improve or implement a qualifying Affirmative Action Plan. Affirmative Action Programs developed pursuant to this section shall be effective for a period of twelve months from the date of approval by the Office of Contract Compliance. In case of prior submission of a plan, the contractor may submit documentation that it has an Affirmative Action Plan approved by the Office of Contract Compliance within the previous twelve months. If the approval is 30 days or less from expiration, the contractor must submit a new Plan to the Office of Contract Compliance and that Plan must be approved before the contract is awarded.

(1) Every contract of \$5,000 or more which may provide construction, demolition, renovation, conservation or major maintenance of any kind shall in addition comply with the requirements of Section 10.13 of the Los Angeles Administrative Code.

(2) A contractor may establish and adopt as its own Affirmative Action Plan, by affixing his or her signature thereto, an Affirmative Action Plan prepared and furnished by the Office of Contract Compliance, or it may prepare and submit its own Plan for approval.

L. The Office of Contract Compliance shall annually supply the awarding authorities of the City with a list of contractors and suppliers who have developed Affirmative Action Programs. For each contractor and supplier the Office of Contract Compliance shall state the date the approval expires. The Office of Contract Compliance shall not withdraw its approval for any Affirmative Action Plan or change the Affirmative Action Plan after the date of contract award for the entire contract term without the mutual agreement of the awarding authority and the contractor.

M. The Affirmative Action Plan required to be submitted hereunder and the pre-registration, pre-bid, pre-proposal or pre-award conference which may be required by the Board of Public Works, Office of Contract Compliance or the awarding authority shall, without limitation as to the subject or nature of employment activity, be concerned with such employment practices as:

1. Apprenticeship where approved programs are functioning, and other on-the-job training for non-apprenticeable occupations;
2. Classroom preparation for the job when not apprenticeable;
3. Pre-apprenticeship education and preparation;
4. Upgrading training and opportunities;
5. Encouraging the use of contractors, subcontractors and suppliers of all racial and ethnic groups, provided, however, that any contract subject to this ordinance shall require the contractor, subcontractor or supplier to provide not less than the prevailing wage, working conditions and practices generally observed in private industries in the contractor's, subcontractor's or supplier's geographical area for such work;
6. The entry of qualified women, minority and all other journeymen into the industry; and
7. The provision of needed supplies or job conditions to permit persons with disabilities to be employed, and minimize the impact of any disability.

N. Any adjustments which may be made in the contractor's or supplier's work force to achieve the requirements of the City's Affirmative Action Contract Compliance Program in purchasing and construction shall be accomplished by either an increase in the size of the work force or replacement of those employees who leave the work force by reason of resignation, retirement or death and not by termination, layoff, demotion or change in grade.

O. Affirmative Action Agreements resulting from the proposed Affirmative Action Plan or the pre-registration, pre-bid, pre-proposal or pre-award conferences shall not be confidential and may be publicized by the contractor at his or her discretion. Approved Affirmative Action Agreements become the property of the City and may be used at the discretion of the City in its Contract Compliance Affirmative Action Program.

P. This ordinance shall not confer upon the City of Los Angeles or any Agency, Board or Commission thereof any power not otherwise provided by law to determine the legality of any existing collective bargaining agreement and

shall have application only to discriminatory employment practices by contractors or suppliers engaged in the performance of City contracts.

Q. All contractors subject to the provisions of this section shall include a like provision in all subcontracts awarded for work to be performed under the contract with the City and shall impose the same obligations, including but not limited to filing and reporting obligations, on the subcontractors as are applicable to the contractor. Failure of the contractor to comply with this requirement or to obtain the compliance of its subcontractors with all such obligations shall subject the contractor to the imposition of any and all sanctions allowed by law, including but not limited to termination of the contractor's contract with the City.

#### SECTION HISTORY

*Amended by Ord. No. 147,030, Eff. 4-28-75; Paragraphs A., B., C., Ord. No. 164,516, Eff. 4-13-89; Paragraphs B. and C., Ord. No. 168,244, Eff. 10-18-92; Title and Section, Ord. No. 173,186, Eff. 5-22-00; Subsec. F, Ord. No. 173,285, Eff. 6-26-00, Oper. 7-1-00.*

EXHIBIT H

Living Wage Ordinance

# LOS ANGELES ADMINISTRATIVE CODE

Div. 10, Ch. 1, Art. 11

## LIVING WAGE ORDINANCE

### Sec. 10.37 Legislative Findings.

The City awards many contracts to private firms to provide services to the public and to City government. Many lessees or licensees of City property perform services that affect the proprietary interests of City government in that their performance impacts the success of City operations. The City also provides financial assistance and funding to others for the purpose of economic development or job growth. The City expends grant funds under programs created by the federal and state governments. Such expenditures serve to promote the goals established for those programs by such governments and similar goals of the City. The City intends that the policies underlying this article serve to guide the expenditure of such funds to the extent allowed by the laws under such grant programs are established.

Experience indicates that procurement by contract of services has all too often resulted in payment by service contractors to their employees of wages at or slightly above the minimum required by federal and state minimum wage laws. Such minimal compensation tends to inhibit the quantity and quality of services rendered by such employees to the City and to the public Underpaying employees in this way fosters high turnover, absenteeism, and lackluster performance. Conversely, adequate compensation promotes amelioration of these undesirable conditions. Through this article the City intends to require service contractors to provide a minimum level of compensation that will improve the level of services rendered to and for the City.

The inadequate compensation typically paid today also fails to provide service employees with resources sufficient to afford life in Los Angeles. It is unacceptable that contracting decisions involving the expenditure of City funds should foster conditions placing a burden on limited social services. The City, as a principal provider of social support services, has an interest in promoting an employment environment that protects such limited resources. In requiring the payment of a higher minimum level of compensation, this article benefits that interest.

Nothing less than the living wage should be paid by the recipients of City financial themselves. Whether they be engaged in manufacturing or some other line of business, the City does not wish to foster an economic climate where a lesser wage is all that is offered to the working poor. The same adverse social consequences from such inadequate compensation emanate just as readily from manufacturing, for example, as service industries. This article is meant to protect these employees as well.

The City holds a proprietary interest in the work performed by many employees employed by lessees and licensees of City property and by their service contractors and subcontractors. In a very real sense, the success or failure of City operations may turn on the success or failure of these enterprises, for the City has a genuine stake in how the public perceives the services rendered for them by such businesses. Inadequate compensation of these employees adversely impacts the performance by the City's lessee or licensee and thereby does the same for the success of City operations. By the 1998 amendment to this article, recognition is given to the prominence of this interest at those facilities visited by the public on a frequent basis, including but not limited to, terminals at Los Angeles International Airport, Ports O'Call Village in San Pedro, and golf courses and recreation centers operated by the Department of Recreation and Parks. This article is to cover all such employees not expressly exempted.

Requiring payment of the living wage serves both proprietary and humanitarian concerns of the City. Primarily because of the latter concern and experience to date regarding the failure of some employers to honor their obligation to pay the living wage, the 1998 amendments introduce additional enforcement mechanisms to ensure compliance with this important obligation. Non-complying employers must now face the prospect of paying civil penalties, but only if they fail to cure non-compliance after having been given formal notice thereof. Where non-payment is the issue, employers who dispute determinations of non-compliance may avoid civil penalties as well by paying into a City holding account the monies in dispute. Employees should not fear retaliation, such as by losing their jobs, simply because they claim their right to the living wage,

irrespective of the accuracy of the claim. The 1998 amendments strengthen the prohibition against retaliation to serve as a critical shield against such employer misconduct.

## SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.*

### Sec. 10.37.1 Definitions.

The following definitions shall apply throughout this article:

(a) "Awarding authority" means that subordinate or component entity or person of the City (such as a department) or of the financial assistance recipient that awards or is otherwise responsible for the administration of a service contract or public lease or license, or, where there is no such subordinate or component entity or person, then the City or the City financial assistance recipient.

(b) "City" means the City of Los Angeles and all awarding authorities thereof, including those City departments which exercise independent control over their expenditure of funds, but excludes the Community Redevelopment Agency of the City of Los Angeles ("CRA"). The CRA is urged, however, to adopt a policy similar to that set forth in this article.

(c) "City financial assistance recipient" means any person who receives from the City discrete financial assistance for economic development or job growth expressly articulated and identified by the City, as contrasted with generalized financial assistance such as through tax legislation, in accordance with the following monetary limitations. Assistance given in the amount of one million dollars (\$1,000,000) or more in any twelve-month period shall require compliance with this article for five years from the date such assistance reaches the one million dollar (\$1,000,000) threshold. For assistance in any twelve-month period totaling less than one million dollars (\$1,000,000) but at least one hundred thousand dollars (\$100,000), there shall be compliance for one year if at least one hundred thousand dollars (\$100,000) of such assistance is given in what is reasonably contemplated at the time to be on a continuing basis, with the period of compliance beginning when the accrual during such twelve-month period of such continuing assistance

reaches the one-hundred thousand dollar (\$100,000) threshold.

Categories of such assistance include, but are not limited to, bond financing, planning assistance, tax increment financing exclusively by the City, and tax credits, and shall not include assistance provided by the Community Development Bank. City staff assistance shall not be regarded as financial assistance for purposes of this article. A loan shall not be regarded as financial assistance. The forgiveness of a loan shall be regarded as financial assistance. A loan shall be regarded as financial assistance to the extent of any differential between the amount of the loan and the present value of the payments thereunder, discounted over the life of the loan by the applicable federal rate as used in 26 U.S.C. §§ 1274(d), 7872(f). A recipient shall not be deemed to include lessees and sublessees.

A recipient shall be exempted from application of this article if (1) it is in its first year existence, in which case the exemption shall last for one (1) year, (2) it employs fewer than five (5) employees for each working day in each of twenty (20) or more calendar weeks in the current or preceding calendar year, or (3) it obtains a waiver as provided herein. A recipient -- who employs the long-term unemployed or provides trainee positions intended to prepare employees for permanent positions, and who claims that compliance with this article would cause an economic hardship -- may apply in writing to the City department or office administering such assistance, which department or office which shall forward such application and its recommended action on it to the City Council. Waivers shall be effected by Council resolution.

(d) "Contractor" means any person that enters into (1) a service contract with the City, (2) a service contract with a public lessee or sublessee or licensee or sublicensee, or (3) a contract with a City financial assistance recipient to assist the recipient in performing the work for which the assistance is being given. Vendors, such as service contractors, of City financial assistance recipients shall not be regarded as contractors except to the extent provided in subsection (f).

(e) "Designated administrative agency (DAA)" means that City department or office designated by Council resolution to bear administrative responsibilities under section 10.37.7. The City Clerk shall maintain a record of such designations.

(f) "Employee" means any person -- who is not a managerial, supervisory, or confidential employee and who is not required to possess an occupational license -- who is employed (1) as a service employee of a contractor or subcontractor on or under the authority of one or more service contracts and who expends any of his or her time thereon, including but not limited to: hotel employees, restaurant, food service or banquet employees; janitorial employees; security guards; parking attendants; nonprofessional health care employees; gardeners; waste management employees; and clerical employees; (2) as a service employee -- of a public lessee or licensee, of a sublessee or sublicensee, or of a service contractor or subcontractor of a public lessee or licensee, of a sublessee or sublicensee -- who works on the leased or licensed premises; (3) by a City financial assistance recipient who expends at least half of his or her time on the funded project; (4) by a service contractor or subcontractor of a City financial assistance recipient and who expends at least half of his or her time on the premises of the City financial assistance recipient directly involved with the activities funded by the City.

(g) "Employer" means any person who is a City financial assistance recipient, contractor, subcontractor, public lessee, public sublessee, public licensee, or public sublicensee and who is required to have a business tax registration certificate by Los Angeles Municipal Code §§ 21.00 - 21.198 or successor ordinance or, if expressly exempted by the Code from such tax, would otherwise be subject to the tax but for such exemption; provided, however, that corporations organized under §501 (c)(3) of the United States Internal Revenue Code of 1954, 26 U.S.C. §501 (c)(3), whose chief executive officer earns a salary which, when calculated on an hourly basis, is less than eight (8) times the lowest wage paid by the corporation, shall be exempted as to all employees other than child care workers.

(h) "Person" means any individual, proprietorship, partnership, joint venture, corporation, limited liability company, trust, association, or other entity that may employ individuals or enter into contracts.

(i) "Public lease or license."

(a) Except as provided in (i)(b), "Public lease or license" means a lease or license of City property on which services are rendered by employees of the public lessee or licensee or sublessee or

sublicensee, or of a contractor or subcontractor, but only where any of the following applies:

(1) The services are rendered on premises at least a portion of which is visited by substantial numbers of the public on a frequent basis (including, but not limited to, airport passenger terminals, parking lots, golf courses, recreational facilities); or

(2) Any of the services could feasibly be performed by City employees if the awarding authority had the requisite financial and staffing resources; or

(3) The DAA has determined in writing that coverage would further the proprietary interests of the City.

(b) A public lessee or licensee will be exempt from the requirements of this article subject to the following limitations:

(1) The lessee or licensee has annual gross revenues of less than the annual gross revenue threshold, three hundred fifty thousand dollars (\$350,000), from business conducted on City property;

(2) The lessee or licensee employs no more than seven (7) people total in the company on and off City property;

(3) To qualify for this exemption, the lessee or licensee must provide proof of its gross revenues and number of people it employs in the company's entire workforce to the awarding authority as required by regulation;

(4) Whether annual gross revenues are less than three hundred fifty thousand dollars (\$350,000) shall be determined based on the gross revenues for the last tax year prior to application or such other period as may be established by regulation;

(5) The annual gross revenue threshold shall be adjusted annually at the same rate and at the same time as the living wage is adjusted under section 10.37.2 (a);

(6) A lessee or licensee shall be deemed to employ no more than (7) people if the

company's entire workforce worked an average of no more than one thousand two-hundred fourteen (1,214) hours per month for at least three-fourths (3/4) of the time period that the revenue limitation is measured;

(7) Public leases and licenses shall be deemed to include public subleases and sublicenses:

(8) If a public lease or license has a term of more than two (2) years, the exemption granted pursuant to this section shall expire after two (2) years but shall be renewable in two-year increments upon meeting the requirements therefor at the time of the renewal application or such period established by regulation.

(j) "Service contract" means a contract let to a contractor by the City primarily for the furnishing of services to or for the City (as opposed to the purchase of goods or other property or the leasing or renting of property) and that involves an expenditure in excess of twenty-five thousand dollars (\$25,000) and a contract term of at least three (3) months; but only where any of the following applies: (1) at least some of the services rendered are rendered by employees whose work site is on property owned by the City, (2) the services could feasibly be performed by City employees if the awarding authority had the requisite financial and staffing resources, or (3) the DAA has determined in writing that coverage would further the proprietary interests of the City.

(k) "Subcontractor" means any person not an employee that enters into a contract (and that employs employees for such purpose) with (1) a contractor or subcontractor to assist the contractor in performing a service contract or (2) a contractor or subcontractor of a public lessee or licensee or sublessee or sublicensee to perform or assist in performing services on the leased or licensed premises. Vendors, such as service contractors or subcontractors, of City financial assistance recipients shall not be regarded as subcontractors except to the extent provided in subsection (f).

(l) "Willful violation" means that the employer knew of his, her, or its obligations under this article and deliberately failed or refused to comply with its provisions.

## SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.  
Amended by: Subsec. (a), (d), (f), (g) (i), (k), Ord. No. 173747, Eff. 1-03-01.*

### Sec. 10.37.2 Payment of Minimum Compensation to Employees.

#### (a) Wages

Employers shall pay employees a wage of no less than the hourly rates set under the authority of this article. The initial rates were seven dollars and twenty-five cents (\$7.25) per hour with health benefits, as described in this article, or otherwise eight dollars and fifty cents (\$8.50) per hour. With the annual adjustment effective July 1, 1998, such rates were adjusted to seven dollars and thirty-nine cents (\$7.39) per hour with health benefits and eight dollars and sixty-four cents (\$8.64) without. Such rates shall continue to be adjusted annually to correspond with adjustments, if any, to retirement benefits paid to members of the Los Angeles City Employees Retirement System ("LACERS"), made by the CERS Board of Administration under § 4.1040. The Office of Administrative and Research Services shall so advise the DAA of any such change by June 1 of each year and of the required new hourly rates, if any. On the basis of such report the DAA shall publish a bulletin announcing the adjusted rates, which shall take effect upon such publication.

#### (b) Compensated days off

Employers shall provide at least twelve (12) compensated days off per year for sick leave, vacation, or personal necessity at the employee's request. Employers shall also permit employees to take at least an additional ten (10) days a year of uncompensated time to be used for sick leave for the illness of the employee or a member of his or her immediate family where the employee has exhausted his or her compensated days off for that year.

## SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.  
Amended by: Subsec. (a), Ord. No. 173747, Eff. 1-03-01.*

### Sec. 10.37.3 Health Benefits.

Health benefits required by this article shall consist of the payment of at least one dollar and twenty-five

cents (\$1.25) per hour towards the provision of health care benefits for employees and their dependents. Proof of the provision of such benefits must be submitted to the awarding authority to qualify for the wage rate in section 10.37.2(a) for employees with health benefits.

#### SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.*

#### Sec. 10.37.4 Notifying Employees of their Potential Right to the Federal Earned Income Credit.

Employers shall inform employees making less than twelve dollars (\$12) per hour of their possible right to the federal Earned Income Credit ("EIC") under § 32 of the Internal Revenue Code of 1954, 26 U.S.C. § 32, and shall make available to employees forms informing them about the EIC and forms required to secure advance EIC payments from the employer.

#### SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.*

#### Sec. 10.37.5 Retaliation Prohibited.

Neither an employer, as defined in this article, nor any other person employing individuals shall discharge, reduce in compensation, or otherwise discriminate against any employee for complaining to the City with regard to the employer's compliance or anticipated compliance with this article, for opposing any practice proscribed by this article, for participating in proceedings related to this article, for seeking to enforce his or her rights under this article by any lawful means, or for otherwise asserting rights under this article.

#### SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.*

#### Sec. 10.37.6 Enforcement.

(a) An employee claiming violation of this article may bring an action in the Municipal Court or Superior Court of the State of California, as

appropriate, against an employer and may be awarded:

(1) For failure to pay wages required by this article -- back pay for each day during which the violation continued.

(2) For failure to pay medical benefits -- the differential between the wage required by this article without benefits and such wage with benefits, less amounts paid, if any, toward medical benefits.

(3) For retaliation -- reinstatement, back pay, or other equitable relief the court may deem appropriate.

(4) For willful violations, the amount of monies to be paid under (1) - (3) shall be trebled.

(b) The court shall award reasonable attorney's fees and costs to an employee who prevails in any such enforcement action and to an employer who so prevails if the employee's suit was frivolous.

(c) Compliance with this article shall be required in all City contracts to which it applies, and such contracts shall provide that violation of this article shall constitute a material breach thereof and entitle the City to terminate the contract and otherwise pursue legal remedies that may be available. Such contracts shall also include a pledge that there shall be compliance with federal law proscribing retaliation for union organizing.

(d) An employee claiming violation of this article may report such claimed violation to the DAA which shall investigate such complaint. Whether based upon such a complaint or otherwise, where the DAA has determined that an employer has violated this article, the DAA shall issue a written notice to the employer that the violation is to be corrected within ten (10) days. In the event that the employer has not demonstrated to the DAA within such period that it has cured such violation, the DAA may then:

(1) Request the awarding authority to declare a material breach of the service contract, public lease or license, or financial assistance agreement and exercise its contractual remedies thereunder, which are to include, but not be limited to, termination of the service contract, public lease or license, or financial assistance

agreement and the return of monies paid by the City for services not yet rendered.

(2) Request the City Council to debar the employer from future City contracts, leases, and licenses for three (3) years or until all penalties and restitution have been fully paid, whichever occurs last. Such debarment shall be to the extent permitted by, and under whatever procedures may be required by, law.

(3) Request the City Attorney to bring a civil action against the employer seeking:

(i) Where applicable, payment of all unpaid wages or health premiums prescribed by this article; and/or

(ii) A fine payable to the City in the amount of up to one hundred dollars (\$100) for each violation for each day the violation remains uncured.

Where the alleged violation concerns non-payment of wages or health premiums, the employer will not be subject to debarment or civil penalties if it pays the monies in dispute into a holding account maintained by the City for such purpose. Such disputed monies shall be presented to a neutral arbitrator for binding arbitration. The arbitrator shall determine whether such monies shall be disbursed, in whole or in part, to the employer or to the employees in question. Regulations promulgated by the DAA shall establish the framework and procedures of such arbitration process. The cost of arbitration shall be borne by the City, unless the arbitrator determines that the employer's position in the matter is frivolous, in which event the arbitrator shall assess the employer for the full cost of the arbitration. Interest earned by the City on monies held in the holding account shall be added to the principal sum deposited, and the monies shall be disbursed in accordance with the arbitration award. A service charge for the cost of account maintenance and service may be deducted therefrom.

(e) Notwithstanding any provision of this Code or any other ordinance to the contrary, no criminal penalties shall attach for violation of this article.

#### SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.*

*Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.  
Amended by: Subsec. (d)(1), Ord. No. 173747, Eff. 1-03-01.*

#### Sec. 10.37.7 Administration.

The City Council shall by resolution designate a department or office, which shall promulgate rules for implementation of this article and otherwise coordinate administration of the requirements of this article ("designated administrative agency" - DAA). The DAA shall monitor compliance, including the investigation of claimed violations, and shall promulgate implementing regulations consistent with this article. The DAA shall also issue determinations that persons are City financial assistance recipients, that particular contracts shall be regarded as "service contracts" for purposes of section 10.37.1(j), and that particular leases and licenses shall be regarded as "public leases" or "public licenses" for purposes of section 10.37.1(i), when it receives an application for a determination of non-coverage or exemption as provided for in section 10.37.13. The DAA shall also establish employer reporting requirements on employee compensation and on notification about and usage of the federal Earned Income Credit referred to in § 10.37.4. The DAA shall report on compliance to the City Council no less frequently than annually.

During the first, third, and seventh years of this article's operation since May 5, 1997, and every third year thereafter, the Chief Administrative Officer and the Chief Legislative Analyst shall conduct or commission an evaluation of this article's operation and effects. The evaluation shall specifically address at least the following matters: (a) how extensively affected employers are complying with the article; (b) how the article is affecting the workforce composition of affected employers; (c) how the article is affecting productivity and service quality of affected employers; (d) how the additional costs of the article have been distributed among workers, their employers, and the City. Within ninety days of the adoption of this article, these offices shall develop detailed plans for evaluation, including a determination of what current and future data will be needed for effective evaluation.

#### SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.  
Amended by: Ord. No. 173747, Eff. 1-03-01.*

### EXHIBIT H LIVING WAGE ORDINANCE

**Sec. 10.37.8 Exclusion of Service Contracts from Competitive Bidding Requirement.**

Service contracts otherwise subject to competitive bid shall be let by competitive bid if they involve the expenditure of at least two-million dollars (\$2,000,000). Charter § 387 shall not be applicable to service contracts.

**SECTION HISTORY**

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.*

**Sec. 10.37.9 Coexistence with Other Available Relief for Specific Deprivations of Protected Rights.**

This article shall not be construed to limit an employee's right to bring legal action for violation of other minimum compensation laws.

**SECTION HISTORY**

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.*

**Sec. 10.37.10 Expenditures Covered.**

This article shall apply to the expenditure -- whether through aid to City financial recipients, service contracts let by the City, or service contracts let by its financial assistance recipients -- of funds entirely within the City's control and to other funds, such as federal or state grant funds, where the application of this article is consonant with the laws authorizing the City to expend such other funds.

**SECTION HISTORY**

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.*

**Sec. 10.37.11 Timing of Application.**

(a) Original 1997 ordinance.

The provisions of this article as enacted by City ordinance no. 171,547, effective May 5, 1997, shall apply to (1) contracts consummated and financial assistance provided after such date, (2) contract amendments consummated after such date and before the effective date of the 1998 ordinance which themselves met the requirements of former section 10.37.1(h) (definition of "service contract") or which

extended contract duration, and (3) supplemental financial assistance provided after May 5, 1997 and before the effective date of the 1998 ordinance which itself met the requirements of section 10.37.1(c).

(b) 1998 amendment.

The provisions of this article as amended by the 1998 ordinance shall apply to (1) service contracts, proprietary leases or licenses, and financial assistance agreements consummated after the effective date of such ordinance and (2) amendments, consummated after the effective date of such ordinance, to service contracts, proprietary leases or licenses, and financial assistance agreements that provide additional monies or which extend term.

(c) 2000 amendment.

The provisions of this article as amended by the 2000 ordinance shall apply to (1) service contracts, public leases or public licenses and City financial assistance recipient agreements consummated after the effective date of such ordinance and (2) amendments to service contracts, public leases or licenses and City financial assistance recipient agreements which are consummated after the effective date of such ordinance and which provide additional monies or which extend the term.

**SECTION HISTORY**

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.  
Added Subsec. (c), Ord. No. 173747, Eff. 1-03-01.*

**Sec. 10.37.12 Supersession by Collective Bargaining Agreement.**

Parties subject to this article may by collective bargaining agreement provide that such agreement shall supersede the requirements of this article.

**SECTION HISTORY**

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.  
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.*

**Sec. 10.37.13 Liberal Interpretation of Coverage; Rebuttable Presumption of Coverage.**

The definitions of "City financial assistance recipient" in section 10.37.1(c), of "public lease or license" in section 10.37.1(i), and of "service

contract" in section 10.37.(j) shall be liberally interpreted so as to further the policy objectives of this article. All recipients of City financial assistance meeting the monetary thresholds of section 10.37.1(c), all City leases and licenses (including subleases and sublicenses) where the City is the lessor or licensor, and all City contracts providing for services that are more than incidental, shall be presumed to meet the corresponding definition just mentioned, subject, however, to a determination by the DAA of non-coverage or exemption on any basis allowed by this article, including, but not limited to, non-coverage for failure to satisfy such definition. The DAA shall by regulation establish procedures for informing persons engaging in such transactions with the City of their opportunity to apply for a determination of non-coverage or exemption and procedures for making determinations on such applications.

#### SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.*

*Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.*

*Amended by: Ord. No. 173747, Eff. 1-03-01.*

#### Sec. 10.37.14 Severability

If any provision of this article is declared legally invalid by any court of competent jurisdiction, the remaining provisions shall remain in full force and effect.

#### SECTION HISTORY

*Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.*

*Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99*

ORDINANCE NO. 180877

An ordinance amending Sections 10.37.1, 10.37.2, 10.37.3 and adding a new subsection (d) to Section 10.37.11 of the Los Angeles Administrative Code to provide certain covered airport workers with an increased health benefit payment and to additionally index such health benefit payment to correspond to changes in the Consumer Price Index and require a periodic review of the health benefit payment.

**THE PEOPLE OF THE CITY OF LOS ANGELES  
DO ORDAIN AS FOLLOWS:**

Section 1. Legislative Findings. In 1997, Los Angeles became one of the first cities in the nation and the first in California to pass a living wage ordinance ("LWO") requiring certain City contractors, financial assistance recipients, lessees, exclusive and non-exclusive licensees, and other persons and entities doing business with the City to pay employees a living wage. As of July 1, 2009, the LWO requires covered employers to pay a wage of \$10.30 per hour with health benefits and \$11.55 per hour without health benefits.

While the wage portion of the LWO is indexed to the Consumer Price Index (CPI) and, as a result, has risen from \$7.25 per hour to \$10.30 per hour as of July 1, 2009, the health benefit payment is not similarly indexed to the CPI and so has remained at \$1.25 per hour since the LWO was adopted in 1997. Additionally, the health benefit payment has not been periodically reviewed to ensure that the payment accurately reflects the actual cost of health care. Studies, including a study performed by Mercer Human Resource Consulting at the request of the Office of Administrative and Research Services, show that a payment of \$1.25 per hour is clearly insufficient to cover the actual cost of health care. As a result of the health benefit payment being so low compared to the actual cost of coverage, employees either have no access to an employer-provided health plan or must pay large out-of-pocket costs in order to access such a health plan for themselves and their family members.

Studies, including the study performed by Mercer Human Resource Consulting, show that high employee cost share relative to available income can curtail access to medical care providers, the purchase of medication, and the pursuit of follow-up treatment. The lack of health benefits among employees is particularly significant at the City's airports, where, for instance, as many as 2,600 workers covered by the LWO and their family members lack health benefits or rely on public health insurance. A 2009 LAANE study attributes high turnover rates among airline service workers who have key operational duties such as security and assisting passengers with disabilities to a lack of health benefits, and various studies and polls, including the LAANE study, have shown that providing family health insurance coverage increases the ability of employers to retain workers.

The LWO recognizes that the City holds a proprietary interest and genuine stake in the work performed by employees employed by lessees and licensees of City

property and by their service contractors and subcontractors, and by a 1998 amendment, recognized the prominence of this interest at facilities visited by the public on a frequent basis, including the City's airports.

The City through the Department of Airports has embarked upon a number of projects and initiatives to improve the passenger experience at LAX, including: (i) the adoption of a Service Standards Policy; (ii) an extensive capital improvement program that includes the renovation and upgrading of the Tom Bradley International Terminal; and (iii) a revamping of its concessions program. The retention of a qualified and stable workforce is vital to the success of these efforts.

Workers at the City's airports routinely interface with the traveling public and, therefore, are both particularly at risk of exposure to the H1N1 virus and other epidemics and pandemics and to exposing the traveling public to illnesses as well, thereby risking widespread and accelerated spreading of communicable illnesses worldwide. For instance, at LAX alone, some 51 million international and domestic passengers travel through its nine terminals, making LAX one of the busiest airports in the world.

In addition, the lack of health benefits among workers at City airports confers a heavy burden on taxpayers. Taxpayers spend an estimated \$3.9 million per year to cover the cost of the Medi-Cal and Healthy Families programs for LAX workers and their families. According to Families USA, eight people in California are estimated to die every day due to lack of health coverage, and uninsured children are six times more likely than insured children to have gone without needed medical or dental care, more likely to be hospitalized for preventable or treatable illnesses, and more likely to miss school.

Moreover, a 2005 study of families who filed for bankruptcy protection found that half cited medical causes, and a Harvard researcher studying home foreclosures in California and three other states found that medical bills contributed to twenty-three percent of all home foreclosure filings. Burdening working families with unmanageable medical expenses worsens and deepens the nation's economic crisis.

In order to address and correct the conditions enumerated above, this ordinance amends the LWO to increase the health benefit for workers at the City's airports covered by the LWO in order to promote the provision of health benefits to eligible airport workers and their families, and additionally provides for annual adjustments to and periodic reviews of the health benefit payment to airport workers to ensure that the amount accurately reflects the cost of health coverage.

Sec. 2. Subsections (a) through (l) of Section 10.37.1 of the Los Angeles Administrative Code are redesignated as Subsections (d) through (o), and three new Subsections, designated (a) through (c) are added to read as follows:

(a) "Airport" means the Department of Airports and each of the airports which it operates.

(b) "Airport Employer" means an Employer, as the term is defined in this section, at the Airport.

(c) "Airport Employee" means an Employee, as the term is defined in this section, of an Airport Employer.

Sec. 3. Subsection (a) of Section 10.37.2 of the Los Angeles Administrative Code is amended in its entirety to read as follows:

(a) **Wages.** Employers shall pay Employees a wage of no less than the hourly rates set under the authority of this article. The initial rates were seven dollars and twenty-five cents (\$7.25) per hour with health benefits, as described in this article, or otherwise eight dollars and fifty cents (\$8.50) per hour without health benefits. With the annual adjustment effective July 1, 2009, together with all previous annual adjustments as provided by this subsection, such rates are ten dollars and thirty cents (\$10.30) per hour with health benefits or, if health benefits are not provided, then fourteen dollars and eighty cents (\$14.80) per hour for Airport Employees and eleven dollars and fifty-five cents (\$11.55) per hour for all other Employees. The hourly rate with health benefits to be paid to all Employees and the hourly rate without health benefits to be paid to Airport Employees shall be adjusted annually to correspond with adjustments, if any, to retirement benefits paid to members of the Los Angeles City Employees Retirement System (LACERS), made by the CERS Board of Administration under § 4.1040. The Office of Administrative and Research Services shall so advise the DAA of any such change by June 1 of each year and of the required new hourly rates, if any. On the basis of such report, the DAA shall publish a bulletin announcing the adjusted rates, which shall take effect upon such publication.

Sec. 4. Section 10.37.3 is amended in its entirety to read as follows:

**Sec. 10.37.3 Health Benefits.**

(a) **Health Benefits.** The health benefits required by this article shall consist of the payment of at least four dollars and fifty cents (\$4.50) per hour by Airport Employers and at least one dollar and twenty-five cents (\$1.25) per hour by all other Employers towards the provision of health care benefits for Employees and their dependents. Proof of the provision of such benefits must be submitted to the awarding authority to qualify for the wage rate in Section 10.37(a) for Employees with health benefits. Airport Employees cannot waive the health benefits offered by an Airport Employer when the Airport Employer does not require an out-of-pocket contribution by the Airport Employee. Consistent with and as shall be reflected in the hourly rates payable to Airport Employees as provided in 10.37.2(a) above, the amount of payment for health benefits by Airport Employers shall be adjusted annually to correspond with adjustments, if any, to retirement benefits paid to members of the Los Angeles City

Employees Retirement System (LACERS), made by the CERS Board of Administration under § 4.1040. The Office of Administrative and Research Services shall so advise the DAA of any such change by June 1 of each year and of the required new hourly payments, if any. On the basis of such report, the DAA shall publish a bulletin announcing the adjusted payment, which shall take effect upon such publication.

(b) **Periodic Review.**

At least once every three years, the Office of Administrative and Research Services shall review the health benefit payment by Airport Employers set forth in 10.37.3(a) to determine whether the payment accurately reflects the cost of health care and to assess the impacts of the health benefit payment on Airport Employers and Airport Employees and shall transmit a report with its findings to the Council.

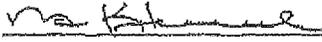
Sec. 5. A new Subsection (d) of Section 10.37.11 is added to read as follows:

(d) **2009 Amendment.** The provisions of this article as amended by the 2009 ordinance shall become operative ninety (90) days following the effective date of the 2009 ordinance.

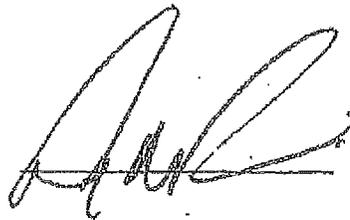
Sec. 8. The City Clerk shall certify to the passage of this ordinance and have it published in accordance with Council policy, either in a daily newspaper circulated in the City of Los Angeles or by posting for ten days in three public places in the City of Los Angeles; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall; one copy on the bulletin board located at the Main Street entrance to the Los Angeles City Hall East; and one copy on the bulletin board located at the Temple Street entrance to the Los Angeles County Hall of Records.

I hereby certify that this ordinance was passed by the Council of the City of Los Angeles, at its meeting of SEP 09 2009.

JUNE LAGMAY, City Clerk

By  Deputy

Approved \_\_\_\_\_



SEP 15 2009  
Mayor

Approved as to Form and Legality

CARMEN A. TRUTANICH, City Attorney

By   
THERESA A. STAMUS  
Sr. Assistant City Attorney

Date September 9, 2009

File No. 07-2247

EXHIBIT I

Service Contractor Worker Retention Ordinance

# LOS ANGELES ADMINISTRATIVE CODE

Div. 10, Ch. 1, Art. 10

## SERVICE CONTRACTOR WORKER RETENTION ORDINANCE

### Sec. 10.36 Findings and Statement of Policy.

The City awards many contracts to private firms to provide services to the public and to City government. The City awards many contracts to private firms to provide services to the public and to City government. The City also provides financial assistance and funding to others for the purpose of economic development or job growth. At the conclusion of the terms of a service contract with the City or with those receiving financial assistance from the City, competition results in the awarding of a service contract to what may be a different contractor. These new contracts often involve anticipated changes in different managerial skills, new technology or techniques, new themes or presentations, or lower costs.

The City expends grant funds under programs created by the federal and state governments. Such expenditures serve to promote the goals established for those programs by such governments and similar goals of the City. The City intends that the policies underlying this article serve to guide the expenditure of such funds to the extent allowed by the laws under which such grant programs are established.

Despite desired changes through the process of entering into new contracts, it is the experience of the City that reasons for change do not necessarily include a need to replace workers presently performing services who already have useful knowledge about the workplace where the services are performed.

Incumbent workers have already invaluable knowledge and experience with the work schedules, practices, and clients. The benefits of replacing these workers without such experiences decreases efficiency and results in a disservice to City and City financed or assisted projects.

Retaining existing service workers when a change in contractors occurs reduces the likelihood of labor disputes and disruptions. The reduction of the likelihood of labor disputes and disruptions results in the assured continuity of services to citizens who receive services provided by the City or by City financed or assisted projects.

It is unacceptable that contracting decisions involving the expenditure of City funds should have any potential effect of creating unemployment and the consequential need for social services. The City, as a principal provider of social support services, has an interest in the stability of employment under contracts with the City or by those receiving financial assistance from the City. The retention of existing workers benefits that interest.

### SECTION HISTORY

*Article and Section Added by Ord. No. 170,784, Eff. 1-13-96.  
Amended by: Article and Section, Ord. No. 171,004, Eff. 5-18-96.*

#### Sec. 10.36.1. Definitions.

The following definitions shall apply throughout this article:

(a) "Awarding authority" means that subordinate or component entity or person of the City (such as a department) or of the financial assistance recipient that awards or is otherwise responsible for the administration of a service contract or, if none, then the City or the City financial assistance recipient.

(b) "City" means the City of Los Angeles and all awarding authorities thereof, including those City departments which exercise independent control over their expenditure of funds, but excludes the Community Redevelopment Agency of the City of Los Angeles.

(c) "City financial assistance recipient" means any person that receives from the City in any twelve-month period discrete financial assistance for economic development or job growth expressly articulated and identified by the City totaling at least one hundred thousand dollars (\$100,000); provided, however, that corporations organized under Section § 501(c)(3) of the United States Internal Revenue Code of 1954, 26 U.S.C. § 501(c)(3), with annual operating budgets of less than five million dollars (\$5,000,000) or that regularly employ homeless persons, persons who are chronically unemployed, or persons receiving public assistance, shall be exempt.

Categories of such assistance include, but are not limited to, bond financing, planning assistance, tax increment financing exclusively by the City, and tax

credits, and shall not include assistance provided by the Community Development Bank. City staff assistance shall not be regarded as financial assistance for purposes of this article. A loan shall not be regarded as financial assistance. The forgiveness of a loan shall be regarded as financial assistance. A loan shall be regarded as financial assistance to the extent of any differential between the amount of the loan and the present value of the payments thereunder, discounted over the life of the loan by the applicable federal rate as used in 26 U.S.C. Sections 1274(d), 7872(f). A recipient shall not be deemed to include lessees and sublessees. Service contracts for economic development or job growth shall be deemed such assistance once the \$100,000 threshold is reached.

(d) "Contractor" means any person that enters into a service contract with the City or a City financial assistance recipient.

(e) "Employee" means any person employed as a service employee of a contractor or subcontractor earning less than fifteen dollars (\$15.00) per hour in salary or wage whose primary place of employment is in the City on or under the authority of a service contract and including but not limited to: hotel employees; restaurant, food service or banquet employees; janitorial employees; security guards; parking attendants; nonprofessional health care employees; gardeners; waste management employees; and clerical employees; and does not include a person who is (1) a managerial, supervisory, or confidential employees, or (2) required to possess an occupational license.

(f) "Person" means any individual, proprietorship, partnership, joint venture, corporation, limited liability company, trust, association, or other entity that may employ individuals or enter into contracts.

(g) "Service contract" means a contract let to a contractor by the City or a City financial assistance recipient primarily for the furnishing of services to or for the City or financial assistance recipient (as opposed to the purchase of goods or other property) and that involves an expenditure or receipt in excess of twenty-five thousand dollars (\$25,000) and a contract term of at least three months.

(h) "Subcontractor" means any person not an employee that enters into a contract with a contractor to assist the contractor in performing a service contract and that employs employees for such purpose.

(i) "Successor service contract" means a service contract where the services to be performed are substantially similar to a service contract that has been recently terminated.

## SECTION HISTORY

*Added by Ord. No. 170,784, Eff. 1-13-96.*

*Amended by: Ord. No. 171,004, Eff. 5-18-96; Subsec. (c), Ord. No. 172,843, Eff. 11-4-99.*

### Sec. 10.36.2. Transition Employment Period.

(a) Where an awarding authority has given notice that a service contract has been terminated, or where a service contractor has given notice of such termination, upon receiving or giving such notice, as the case may be, the terminated contractor shall within ten (10) days thereafter provide to the successor contractor the name, address, date of hire, and employment occupation classification of each employee in employment, of itself or subcontractors, at the time of contract termination. If the terminated contractor has not learned the identity of the successor contractor, if any, by the time that notice was given of contract termination, the terminated contractor shall obtain such information from the awarding authority. If a successor service contract has not been awarded by the end of the ten (10)-day period, the employment information referred to earlier in this subsection shall be provided to the awarding authority at such time. Where a subcontract of a service contract has been terminated prior to the termination of the service contract, the terminated subcontractor shall for purposes of this article be deemed a terminated contractor.

(1) Where a service contract or contracts are being let where the same or similar services were rendered by under multiple service contracts, the City or City financial aid recipient shall pool the employees, ordered by seniority within job classification, under such prior contracts.

(2) Where the use of subcontractors has occurred under the terminated contract or where the use of subcontractors is to be permitted under the successor contract, or where both circumstances arise, the City or City financial assistance recipient shall pool, when applicable, the employees, ordered by seniority within job classification, under such prior contracts or subcontracts where required by and in accordance with rules authorized by this article.

(b) A successor contractor shall retain, for a ninety (90)-day transition employment period, employees who have been employed by the terminated contractor or its subcontractors, if any, for the preceding twelve (12) months or longer. Where pooling of employees has occurred, the successor contractor shall draw from such pools in accordance with rules established under this article. During such ninety (90)-day period, employees so hired shall be employed under the terms and conditions established by the successor contractor (or subcontractor) or as required by law.

(c) If at anytime the successor contractor determines that fewer employees are required to perform the new service contract than were required by the terminated contractor (and subcontractors, if any), the successor contractor shall retain employees by seniority within job classification.

(d) During such ninety (90)-day period, the successor contractor (or subcontractor, where applicable) shall maintain a preferential hiring list of eligible covered employees not retained by the successor contractor (or subcontractor) from which the successor contractor (or subcontractor) shall hire additional employees.

(e) Except as provided in subsection (c) of this section, during such ninety (90)-day period the successor contractor (or subcontractor, where applicable) shall not discharge without cause an employee retained pursuant to this article. "Cause" for this purpose shall include, but not be limited to, the employee's conduct while in the employ of the terminated contractor or subcontractor that contributed to any decision to terminate the contract or subcontract for fraud or poor performance.

(f) At the end of such ninety (90)-day period, the successor contractor (or subcontractor, where applicable) shall perform a written performance evaluation for each employee retained pursuant to this article. If the employee's performance during such ninety (90)-day period is satisfactory, the successor contractor (or subcontractor) shall offer the employee continued employment under the terms and conditions established by the successor contractor (or subcontractor) or as required by law. During such ninety (90)-day period, the successor contractor shall maintain a preferential hiring list of eligible covered employees not retained by the successor contractor from which the successor contractor shall hire additional employees.

(g) If the City or a City financial assistance recipient enters into a service contract for the performance of work that prior to the service contract was performed by the City's or the recipient's own service employees, the City or the recipient, as the case may be, shall be deemed to be a "terminated contractor" within the meaning of this section and the contractor under the service contract shall be deemed to be a "successor contractor" within the meaning of this section and section 10.36.3.

## SECTION HISTORY

*Added by Ord. No. 170,784, Eff. 1-13-96.  
Amended By: Ord. No. 171,004, Eff. 5-18-96; Subsec. (g) Added,  
Ord. No. 172,349, Eff. 1-29-99.*

### Sec. 10.36.3. Enforcement.

(a) An employee who has been discharged in violation of this article by a successor contractor or its subcontractor may bring an action in the Municipal Court or Superior Court of the State of California, as appropriate, against the successor contractor and, where applicable, its subcontractor, and may be awarded:

(1) Back pay for each day during which the violation continues, which shall be calculated at a rate of compensation not less than the higher of:

(A) The average regular rate of pay received by the employee during the last 3 years of the employee's employment in the same occupation classification; or

(B) The final regular rate received by the employee.

(2) Costs of benefits the successor contractor would have incurred for the employee under the successor contractor's (or subcontractor's, where applicable) benefit plan.

(b) If the employee is the prevailing party in any such legal action, the court shall award reasonable attorney's fees and costs as part of the costs recoverable.

(c) Compliance with this article shall be required in all City contracts to which it applies, and such contracts shall provide that violation of this article shall entitle the City to terminate the contract and otherwise pursue legal remedies that may be available.

(d) Notwithstanding any provision of this Code or any other ordinance to the contrary, no criminal penalties shall attach for any violation of this article.

#### SECTION HISTORY

*Added by Ord. No. 170,784, Eff. 1-13-96.  
Amended By: Ord. No. 171,004, Eff. 5-18-96.*

#### **Sec. 10.36.4. Exemption for Successor Contractor or Subcontractor's Prior Employees.**

An awarding authority shall upon application by a contractor or subcontractor exempt from the requirements of this article a person employed by the contractor or subcontractor continuously for at least twelve (12) months prior to the commencement of the successor service contract or subcontract who is proposed to work on such contract or subcontract as an employee in a capacity similar to such prior employment, where the application demonstrates that (a) the person would otherwise be laid off work and (b) his or her retention would appear to be helpful to the contractor or subcontractor in performing the successor contract or subcontract. Once a person so exempted commences work under a service contract or subcontract, he or she shall be deemed an employee as defined in Section 10.36.1(e) of this Code.

#### SECTION HISTORY

*Added by Ord. No. 170,784, Eff. 1-13-96.  
Amended By: Ord. No. 171,004, Eff. 5-18-96.*

#### **Sec. 10.36.5. Coexistence with Other Available Relief for Specific Deprivations of Protected Rights.**

This article shall not be construed to limit an employee's right to bring legal action for wrongful termination.

#### SECTION HISTORY

*Added by Ord. No. 170,784, Eff. 1-13-96.  
Amended By: Ord. No. 171,004, Eff. 5-18-96.*

#### **Sec. 10.36.6. Expenditures Covered by this Article.**

This article shall apply to the expenditure, whether through service contracts let by the City or by its financial assistance recipients, of funds entirely within the City's control and to other funds, such as federal or state grant funds, where the application of this article is consonant with the laws authorizing the

City to expend such other funds. City financial assistance recipients shall apply this article to the expenditure of non-City funds for service contracts to be performed in the City by complying themselves with § 10.36.2(g) and by contractually requiring their service contractors to comply with this article. Such requirement shall be imposed by the recipient until the City financial assistance has been fully expended.

#### SECTION HISTORY

*Added by Ord. No. 171,004, Eff. 5-18-96.  
Amended by: Ord. No. 172,337, Eff. 1-14-99; Ord. No. 172,843, Eff. 11-4-99*

#### **Sec. 10.36.7. Timing of Application of Ordinances Adding and then Amending this Article.**

The provisions of this article as set forth in City Ordinance No. 171,004 shall apply to contracts consummated and financial assistance provided after May 18, 1996 (the effective date of City Ordinance No. 171,004). As for contracts consummated and financial assistance provided after the original version of this article took effect on January 13, 1996 (by City Ordinance No. 170,784) and through May 18, 1996, the City directs its appointing authorities and urges others affected to use their best efforts to work cooperatively so as to allow application City Ordinance No. 171,004 rather than City Ordinance No. 170,784 to service contracts let during such period. No abrogation of contract or other rights created by City Ordinance No. 170,784, absent consent to do so, shall be effected by the retroactive application of City Ordinance No. 171,004.

#### SECTION HISTORY

*Added by Ord. No. 171,784, Eff. 1-13-96.  
Amended by: Ord. No. 171,004, Eff. 5-18-96; Ord. No. 172,337, Eff. 1-14-99.*

#### **Sec. 10.36.8. Promulgation of Implementing Rules.**

The City Council shall by resolution designate a department or office, which shall promulgate rules for implementation of this article and otherwise coordinate administration of the requirements of this article.

#### SECTION HISTORY

*Added by Ord. No. 171,004, Eff. 5-18-96.*

**Sec. 10.36.9. Severability.**

If any severable provision or provisions of this article or any application thereof is held invalid, such invalidity shall not affect other provisions or applications of the article that can be given effect notwithstanding such invalidity.

**SECTION HISTORY**

*Added by Ord. No. 171,004, Eff.5-18-96.*

EXHIBIT J

Child Support Assignment Orders

# LOS ANGELES ADMINISTRATIVE CODE

## Div. 10, Ch. 1, Art. 1

### CHILD SUPPORT

#### Sec. 10.10. Child Support Assignment Orders.

##### a. Definitions.

1. **Awarding Authority** means a subordinate or component entity or person of the City (such as a City department or Board of Commissioners) that has the authority to enter into a contract or agreement for the provision of goods or services on behalf of the City of Los Angeles.

2. **Contract** means any agreement, franchise, lease or concession including an agreement for any occasional professional or technical personal services, the performance of any work or service, the provision of any materials or supplies, or the rendering of any service to the City of Los Angeles or to the public which is let, awarded or entered into with, or on behalf of, the City of Los Angeles or any awarding authority thereof.

3. **Contractor** means any person, firm, corporation, partnership or any combination thereof which submits a bid or proposal or enters into a contract with any awarding authority of the City of Los Angeles.

4. **Subcontractor** means any person, firm, corporation, partnership or any combination thereof who enters into a contract with a contractor to perform or provide a portion of any contract with the City.

5. **Principal Owner** means any person who owns an interest of 10 percent or more in a contractor or subcontractor as defined herein.

##### b. Mandatory Contract Provisions.

Every contract that is left, awarded or entered into with or on behalf of the City of Los Angeles shall contain a provision obligating the contractor or subcontractor to fully comply with all applicable State and Federal employment reporting requirements for the contractor or subcontractor's employees. The contractor or subcontractor will also be required to certify that the principal owner(s) thereof are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them

personally, that the contractor or subcontractor will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignments in accordance with California Family Code §§ 5230 *et seq.* and that the contractor or subcontractor will maintain such compliance throughout the term of the contract.

Failure of a contractor or subcontractor to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignments or Notices of Assignment or failure of the principal owner(s) to comply with any Wage and Earnings Assignments or Notices of Assignment applicable to them personally shall constitute a default under the contract. Failure of the contractor or subcontractor or principal owner thereof to cure the default within 90 days of notice of such default by the City shall subject the contract to termination.

##### c. Notice to Bidders.

Each awarding authority shall be responsible for giving notice of the provisions of this ordinance to those who bid on, or submit proposals for, prospective contracts with the City.

##### d. Current Contractor Compliance.

Within 30 days of the operative date of this ordinance, the City, through its operating departments, shall serve upon existing contractors a written request that they and their subcontractors (if any) comply with all applicable State and Federal employment reporting requirements for the contractor and subcontractor's employees, that they certify that the principal owner(s) of the contractor and any subcontractor are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally, that the contractor and subcontractor will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignments in accordance with California Family Code § 5230 *et seq.* and that the contractor and subcontractor will maintain such compliance throughout the term of the contract.

##### e. City's Compliance with California Family Code.

The City shall maintain its compliance with the provisions of California Family Code §§ 5230 *et seq.* and all other applicable law regarding its obligations as an employer to implement lawfully served Wage and Earnings Assignments and Notices of Assignment.

f. Report of Employees' Names to District Attorney.

1. The City shall maintain its current practice of assisting the District Attorney's support enforcement activities by annually reporting to the Los Angeles County District Attorney the names of all of its employees and retirees so that the District Attorney may identify those employees and retirees subject to Wage and Earnings Assignment Orders and Notices of Assignment and may establish court orders for support, where appropriate. Should the District Attorney so request it, the City will provide such information on a more frequent basis.

2. All applicants for employment with the City of Los Angeles will be asked to acknowledge their responsibility to comply with any court ordered support obligations and will be advised of the City's practice of assisting the District Attorney as described in the provisions of Subsection f.1., above.

**SECTION HISTORY**

*Added by Ord. No. 172,401, Eff. 2-13-99.*

City of Los Angeles

CERTIFICATION OF COMPLIANCE WITH CHILD SUPPORT OBLIGATIONS

This Document must be returned with the Contract/Lease/Agreement

The undersigned hereby agrees that Alaska Airlines, Inc. will:  
(Name of Business)

1. Fully comply with all applicable State and Federal reporting requirements for its employees.
2. Fully comply with and implement all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment.
3. Certify that the principal owner(s) of the business are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally.
4. Certify that the business will maintain such compliance throughout the term of the contract.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 31<sup>st</sup>  
day of March, ~~200~~<sup>2011</sup> at SeaTac / King Washington  
City/County State

Alaska Airlines, Inc. P.O. Box 68900, Seattle, WA 98168-0900

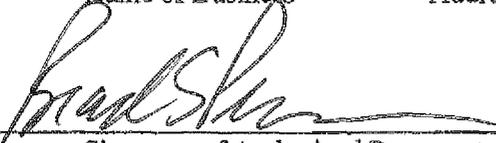
Name of Business	Address	<b>Brandon Pedersen</b>
		<b>Vice President, Finance &amp; Chief Financial Officer</b>
Signature of Authorized Representative		Print Name
		206-433-3200
Title		Telephone Number

EXHIBIT K

Contractor Responsibility Program

# LOS ANGELES WORLD AIRPORTS



## CONTRACTOR RESPONSIBILITY PROGRAM RULES AND REGULATIONS FOR LEASES

Effective date: May 20, 2002

Procurement Services Division  
7301 World Way West, Rm. 105  
Los Angeles, CA 90045  
(310) 417-6495  
(310) 646-7098 (Fax)

**EXHIBIT K**  
Contractor Responsibility Program  
Rules and Regulations for Leases

CONTENTS

A. DEFINITIONS..... 2

B. SUBMISSION OF CRP QUESTIONNAIRES ..... 3

C. LAWA REVIEW OF SUBMITTED CRP QUESTIONNAIRES ..... 3

D. AWARD AND EXECUTION OF LEASES ..... 5

E. LEASE AMENDMENTS.....7

F. TENANT NOTIFICATION OF INVESTIGATIONS AND UPDATE OF INFORMATION ... 7

G. LAWA INVESTIGATION..... 9

H. VIOLATIONS OF THE CRP OR ITS RULES AND REGULATIONS ..... 100

I. NON-RESPONSIBILITY HEARING..... 11

J. NON-RESPONSIBILITY SANCTIONS ..... 12

K. EXEMPTIONS.....13

L. EFFECTIVE DATE OF CRP RULES AND REGULATIONS..... 14

M. CONSISTENCY WITH FEDERAL AND STATE LAW..... 14

N. SEVERABILITY.....14

These Rules and Regulations are promulgated pursuant to Board Resolution #21601, the Los Angeles World Airports Contractor Responsibility Program (CRP). Each Requesting LAWA Division shall cooperate to the fullest extent with the Executive Director in the administration of the CRP. The Executive Director may amend these Rules and Regulations from time to time as required for the implementation of the CRP.

## A. DEFINITIONS

1. **Adoption of CRP definitions:** For purposes of these Rules and Regulations, the definitions set forth in the Board Resolution are incorporated herein, and include the following:

- a. **Board**
- b. **Executive Director**
- c. **Los Angeles World Airports (LAWA)**
- d. **Lease agreement** means a written document in which the rights to use and occupancy of land or structures are transferred by the owner to another for a specified of time in return for a specified rent.
- e. **Tenant** - means Lessee
- f. **Subtenant** - means Sublessee
- g. **Prospective tenant** – means a firm or individual not currently a LAWA tenant
- h. **New Lease agreement** - means new leasehold premises for a prospective tenant. A lease with a firm or individual not currently a LAWA tenant.
- i. **Additional Lease agreement** - means new leasehold premises for a current tenant
- j. **Renewal Lease** - means same leasehold premises for a current tenant
- k. **Amendment** - means modified terms on same leasehold premises for a current tenant
- l. **Public Lease** - means a lease of LAWA property

## 2. New Definitions

- a. **“CRP Questionnaire”** means the set of questions developed by Procurement Services Division (PSD) that will assist LAWA in determining a prospective tenant's responsibility. Information solicited from the CRP Questionnaire may include but is not limited to: ownership and name changes, financial resources and responsibility, satisfactory performance of other leases, satisfactory record of compliance with relevant laws and regulations, and satisfactory record of business integrity. PSD may amend the CRP Questionnaire from time to time.
- b. **“CRP Pledge of Compliance”** means the CRP Pledge developed by the PSD. The CRP Rules and Regulations may be updated from time to time by the PSD. The CRP Pledge shall require contractors to sign under penalty of perjury that the Tenant will:

- (1) Comply with all applicable Federal, State, and local laws that apply to the lease agreement, including but not limited to, laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.
- (2) Notify LAWA within thirty (30) calendar days after receiving notification that any government agency has initiated an investigation that may result in a finding that the Tenant is not in compliance with subparagraph 2(b)(1).
- (3) Notify LAWA within thirty (30) calendar days of all findings by a government agency or court of competent jurisdiction that the Tenant has violated subparagraph 2(b) (1).
- (4) Ensure that Subtenants occupying space through any Sublease in connection with a LAWA lease agreement shall complete and sign a Pledge of Compliance attesting under penalty of perjury to compliance with paragraphs 2(b)(1) through (3). To submit to LAWA the completed Pledges.
- (5) Notify LAWA within thirty (30) days of becoming aware of an investigation, violation or finding of any applicable Federal, State, or local law involving any Subtenant(s) in the LAWA lease agreement.
- (6) Cooperate fully with LAWA during an investigation and to respond to request(s) for information within ten (10) working days from the date of the Notice to Respond.

#### **B. SUBMISSION OF CRP QUESTIONNAIRES**

1. **Prospective Tenants** are required to submit a completed and signed CRP Questionnaire for determination of responsibility prior to award of the lease.
2. **Current Tenants** : The requirement to submit a CRP Questionnaire is not applicable to current tenant. See Section D(2)(a)
3. **Subtenants**: The requirement to submit a CRP Questionnaire is not applicable to subtenants. See Section D(2)(b)

#### **C. LAWA REVIEW OF SUBMITTED CRP QUESTIONNAIRES – APPLIES TO PROSPECTIVE TENANTS ONLY.**

##### **1. Posting of CRP Questionnaires and Subtenant Lists:**

**Prospective Tenants:** The Requesting LAWA Division will forward to PSD the completed CRP Questionnaires and Subtenant list(s), if any, submitted by the prospective tenants to make available for public review and comment for a minimum of fourteen (14) calendar days prior to the award of the lease.

**Current Tenants:** The requirement to submit a CRP Questionnaire is not applicable to current tenants. Subtenants of current tenants are listed on the LAWA website.

## 2. Departmental Review of CRP Questionnaires

- a. PSD will determine Contractor Responsibility from the completeness and accuracy of the information in the submitted CRP Questionnaire; information from various compliance and regulatory agencies; accuracy and completeness of the information received from the public; and through PSD's own reviews and investigations.
- b. PSD may submit written requests to the tenant for clarification or additional documentation. Failure to respond to these requests within the specified time may render the tenant non-responsible and disqualified.
- c. PSD will report its findings and determination to the Requesting LAWA Division.
- d. No lease award will be made by LAWA until after the CRP review and determination has been made.
- e. The CRP Questionnaire of the prospective tenant awarded the lease will be retained by PSD. The CRP Questionnaires for the prospective tenants not awarded the lease will also be retained by PSD.

## 3. Claims Resulting from Public Review and Comments

### Prospective Tenants/Subtenants:

- a. Claims regarding a tenant/subtenant's responsibility must be submitted to PSD in writing. However, PSD may investigate a claim regarding a tenant/subtenant's responsibility, whether or not it is submitted in writing.
- b. If PSD receives information which calls into question a tenant/subtenant's responsibility, and the information was received **before** the lease/sublease has been executed, PSD shall:
  - (1) Notify the Requesting Division in writing that no lease/sublease shall be awarded until PSD has completed investigation into the matter.
  - (2) Investigate the complaint, collect necessary documentation, and determine the complaint's validity.
  - (3) Upon completion of the investigation, notify the Requesting Division in writing of the results of the investigation.
  - (4) Findings from the PSD investigation received by the Requesting Division will be considered by the Requesting Division as part of the determination of the tenant/subtenant's responsibility.

**Current Tenants/Subtenants:**

- a. Claims regarding a tenant/subtenant's responsibility must be submitted to PSD in writing. However, PSD may investigate a claim regarding a tenant/subtenant's responsibility, whether or not it is submitted in writing.
- b. If PSD receives written information that calls into question a current tenant/subtenant's responsibility, PSD shall investigate the matter as required in Section G, LAWA Investigation.

**D. AWARD AND EXECUTION OF LEASES**

**1. Determination of Responsibility and Award of Lease**

**Prospective Tenants/Subtenants:**

- a. PSD shall determine whether a tenant/subtenant is a responsible tenant/subtenant with the necessary quality, fitness and capacity to comply with the terms of the lease by considering the following:
  - (1) Completeness and accuracy of the Information contained in the CRP Questionnaire;
  - (2) Completeness and accuracy of the information received from the public;
  - (3) Information and documentation from PSD's own investigation; and
  - (4) Information that may be available from any compliance or regulatory governmental agency.
- b. Board may award and Executive Director may execute a lease with a prospective tenant only if:
  - (1) The tenant's CRP Questionnaire, and Subtenant's list(s), if any, has been made available for public review for at least fourteen (14) calendar days unless otherwise exempted from the posting requirement by the CRP;
  - (2) The tenant is not being investigated pursuant to the CRP;
  - (3) The tenant has not been found to be a non-responsible contractor pursuant to the CRP;
  - (4) The tenant does not appear on any City list of debarred bidders or contractors; and
  - (5) The tenant has met all other applicable City requirements.

**Current Tenants/Subtenants:**

- a. PSD shall determine whether a tenant/subtenant is a responsible tenant/subtenant with the necessary quality, fitness and capacity to comply with the terms of the lease by considering the following:

- (1) Completeness and accuracy of any information received from the public;
- (2) Information and documentation from PSD's own investigation; and
- (3) Information that may be available from any compliance or regulatory governmental agency.

## 2. Submission of Pledge of Compliance

### Prospective and Current Tenants:

- a. Unless otherwise exempt from the CRP, all prospective and current tenants/subtenants are required to submit a CRP Pledge of Compliance signed under penalty of perjury. Failure to submit a CRP Pledge of Compliance as required may render the tenant/subtenant non-compliant with the terms of the lease and subject to sanctions.

### Subtenants:

- b. Within ten (10) calendar days of execution of a sublease, the tenant shall submit to LAWA a signed CRP Pledge of Compliance from each subtenant listed as occupying space on the leasehold premises.

## 3. Subtenant Responsibility

- a. Tenants shall ensure that their subtenants meet the criteria for responsibility set forth in the CRP and these Rules and Regulations unless the sublease is not subject to the CRP.
- b. Tenants shall ensure that subtenants occupying space on the LAWA leasehold premises shall complete and submit a signed CRP Pledge of Compliance.
- c. Tenants shall not use in any capacity any subtenant that has been determined or found to be a non-responsible contractor by LAWA or the City.
- d. Subject to approval by the LAWA Requesting Division, tenants may substitute a non-responsible subcontractor with another subtenant.

## 4. Execution of Contracts

### Prospective Tenants:

- a. Unless exempt from the CRP, all lease agreements subject to the CRP shall contain language obligating the contractor to comply with the CRP.
- b. No lease agreement may be executed unless:

- (1) The prospective tenant's CRP Questionnaire, unless otherwise exempt, has been made available for public review for at least fourteen (14) calendar days
- (2) The tenant has submitted a signed Pledge of Compliance with the CRP.
- (3) The prospective tenant's subtenant list, if any, has been made available for public review for at least fourteen (14) calendar days.
- (4) The prospective tenant is determined by LAWA to be a Responsible Contractor.

**Current Tenants:**

- a. Unless exempt from the CRP, all lease agreements subject to the CRP shall contain language obligating the tenant to comply with the CRP.
- b. No lease agreement may be executed unless the tenant has submitted a signed Pledge of Compliance with the CRP.

**E. LEASE AMENDMENTS**

Compliance with the CRP is required in lease amendments if the initial lease was not subject to the CRP, but the total term and amount of the lease, inclusive of all amendments, would make the lease subject to the CRP.

- a. A tenant subject to the CRP because of an amendment shall submit a CRP Pledge of Compliance to LAWA before the lease amendment can be executed.
- b. Unless exempt from the CRP, all lease amendments subject to the CRP shall contain contract language obligating the contractor to comply with the CRP.

**F. TENANT NOTIFICATION OF INVESTIGATIONS AND UPDATE OF INFORMATION**

**1. Notification of Investigations**

**Prospective and Current Tenants shall:**

- a. Notify LAWA within thirty (30) calendar days after receiving notification that any government agency has initiated an investigation that may result in a finding that the tenant is not in compliance with any applicable Federal, State, or local law that apply to the LAWA or City lease agreement, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.
- b. Notify LAWA within thirty (30) calendar days of receiving notice of any findings by a government agency or court of competent jurisdiction that the tenant violated any applicable Federal, State, or local law that apply to the LAWA or City lease agreement, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.

- c. Notify LAWA within thirty (30) calendar days of becoming aware of an investigation, violation or finding of any applicable Federal, State, or local law involving the subtenants in the performance of a LAWA or City lease agreement.

## **2. Subtenant Notification of Investigations**

Tenants shall ensure that subtenants occupying the LAWA leasehold premises abide by these same updating requirements, including the requirement to:

- a. Notify LAWA within thirty (30) calendar days after receiving notification that any government agency has initiated an investigation which may result in a finding that the subtenant did not comply with any applicable Federal, State, or local law that apply to the LAWA or City lease agreement, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.
- b. Notify LAWA within thirty (30) calendar days of all findings by a government agency or court of competent jurisdiction that the subtenant violated any applicable Federal, State, or local law that apply to the LAWA or City lease agreement, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.

## **3. Update of CRP Questionnaire Information – applies to Prospective Tenants only.**

- a. Updates of information contained in the prospective tenant's responses to the CRP Questionnaire shall be submitted to LAWA within thirty (30) days of any changes to the responses if the change would affect the prospective tenant's fitness and ability to comply with the terms of the lease.
- b. PSD, or the Requesting Division, shall determine whether a tenant in a specific situation should have provided updated information.
  - (1) If PSD, or the Requesting Division, becomes aware of new information concerning a tenant and determines that the tenant should have provided information or updated LAWA of such information, but the tenant has not done so, PSD shall issue a written notice to the tenant requiring the tenant to submit the required information within (ten) 10 calendar days.
  - (2) If PSD or the Requesting Division becomes aware of new information concerning a subtenant and determines that the subtenant should have provided information or updated LAWA of such information, but the subtenant has not done so, PSD shall issue a written notice to the tenant requiring the subtenant to submit the required information within (ten) 10 calendar days.

- c. Tenant's failure to provide information or updated information when required by LAWA, the CRP or these Rules and Regulations, may be considered a material breach of the lease agreement, and LAWA may invoke remedies set forth in Section J of these Rules and Regulations
4. **Submission of CRP Questionnaires and Updates of CRP Questionnaire Is Not Applicable to Current Tenants and Subtenants:** The requirement that tenants submit to LAWA CRP Questionnaires and updates to the CRP Questionnaire responses does not apply to current tenants and subtenants.

#### G. LAWA INVESTIGATION

1. **Reporting of Alleged Violations:** Claims regarding a tenant/subtenant's responsibility must be submitted to PSD in writing. However, PSD may investigate a claim regarding a tenant/subtenant's responsibility, whether or not it is submitted in writing.
2. **Process:**
  - a. Upon receipt of a complaint or upon initiation of an investigation, PSD shall notify the Requesting Division and the tenant in writing that an investigation has been initiated.
  - b. PSD shall collect necessary facts and documentation from the complainant(s). To the extent permissible, PSD shall maintain the identity of the complainant, if any, confidential.
  - c. PSD shall issue a "Notice to Respond" to the tenant summarizing the facts of the investigation.
  - d. The tenant shall cooperate fully and respond to LAWA's request for information within ten (10) working days from the date of the Notice to Respond.
  - e. A tenant's failure to cooperate or respond to the Notice to Respond will be deemed conclusive admission that the tenant/subtenant is a non-responsible contractor/subcontractor and LAWA may initiate a hearing as set forth in Section I of these Rules and Regulations.  
  
Where the Subtenant is the alleged entity, the tenant shall gather the necessary information and respond to LAWA's request for information.
  - f. Upon completion of the investigation, PSD shall prepare a written report of the findings and notify the Requesting Division, the tenant, and complainant(s), if applicable, of the results.

### 3. Results of Investigation

#### Prospective Tenants

- a. When an investigation is completed **before** the lease is awarded, PSD shall notify the Requesting Division of the results, and Requesting Division will consider the information as part of the determination of a tenant's responsibility.
  - (1) If the tenant is found non-responsible, PSD shall notify the tenant, and the Requesting Division, of the proposed determination of non-responsibility and provide an opportunity for a hearing as set forth in Section I of these Rules and Regulations.
  - (2) If the tenant fails to exercise the right to a hearing within ten (10) working days of the date of the notice of the proposed determination of non-responsibility, the tenant shall be deemed to waive the right to a hearing. PSD may proceed to declare the tenant a non-responsible contractor without a hearing and LAWA may invoke remedies set forth in Section J of these Rules and Regulations.

#### Current Tenants

- b. When an investigation is completed **after** the execution of a contract:
  - (1) If violations of the CRP are found, PSD shall notify the Requesting Division and tenant of the violation and require the tenant to submit an explanation and information on the status of the violation within (ten)10 calendar days.
  - (2) After review of the information regarding the violation, PSD may:
    - (i) Proceed to declare the tenant a non-responsible contractor and LAWA may invoke remedies as set forth in Section J of these Rules and Regulations; or
    - (ii) Declare the tenant a responsible contractor.
  - (3) If the tenant fails to provide information regarding the violation as required, PSD shall notify the Requesting Division and may:
    - (i) Proceed to declare the tenant a non-responsible contractor and LAWA may invoke remedies as set forth in Section J of these Rules and Regulations.

## H. VIOLATIONS OF THE CRP OR ITS RULES AND REGULATIONS

1. Claims regarding a tenant's responsibility must be submitted to PSD in writing. However, PSD may investigate a claim regarding a tenant's responsibility, whether or not it is submitted in writing.

2. A tenant/subtenant will be considered in violation of the CRP and sanctioned if the tenant/subtenant:
  - a. Does not submit required CRP documents
  - b. Submits incomplete, inaccurate, or unsigned CRP documents, or
  - c. Does not cooperate with PSD during its investigation, and/or fails to respond to PSD's Notice to Respond within the time allowed, or
  - d. Is determined by LAWA to be a non-responsible contractor/subcontractor after a review of the CRP documents, supportive documentation and/or public comments.
3. If violations of the CRP are found, PSD shall notify the Requesting Division and the tenant of the violation and require the tenant to submit an explanation and information on the status of the violation within 10 calendar days.
4. After review of the information regarding the violation, PSD may:
  - a. Proceed to declare the tenant a non-responsible contractor and LAWA may invoke remedies as set forth in Section J of these Rules and Regulations; or
  - b. Declare the tenant a responsible contractor.
5. If the tenant fails to provide information regarding the violation as required, PSD shall notify the Requesting Division and may:
  - a. Proceed to declare the tenant a non-responsible contractor and LAWA may invoke remedies as set forth in Section J of these Rules and Regulations.

#### I. NON-RESPONSIBILITY HEARING

1. PSD, after consultation with the City Attorney, shall initiate the process of declaring a tenant as a non-responsible contractor.
2. Before a tenant may be declared non-responsible, PSD shall notify the tenant, and the Requesting Division, of the proposed determination of non-responsibility and provide with an opportunity for a hearing.
3. PSD shall administer a procedure for the non-responsibility hearing which, at minimum, must include the following:
  - a. The tenant shall be provided with a written Notice that LAWA intends to declare the tenant a non-responsible contractor.
  - b. The Notice shall provide the tenant with the following information:
    - (1) That LAWA intends to declare the tenant a non-responsible contractor.
    - (2) A summary of the information upon which LAWA is relying upon.

- (3) That the tenant has a right to respond to the information by requesting a hearing to rebut adverse information and to present evidence of the necessary quality, fitness and capacity to comply with the terms of the lease required under the lease agreement or for future lease agreements.
  - (4) That the tenant shall exercise the right to a hearing by submitting to PSD a written request for a hearing within (ten) 10 working days of the date of the notice.
  - (5) That failure to submit a written request for hearing within the required time frame shall be considered a waiver of the right to a hearing that allows LAWA to proceed with the determination of non-responsibility.
4. If the tenant fails to exercise the right to a hearing within ten (10) working days of the date of the Notice of the proposed determination of non-responsibility, the tenant shall be deemed to waive the right to a hearing. PSD may proceed to declare the tenant a non-responsible contractor without a hearing and LAWA may invoke remedies as set forth in Section J of these Rules and Regulations.
  5. If the tenant submits a written request for a hearing, the hearing may be held with the head of PSD, Requesting Division, City Attorney and/or their respective designees. LAWA may determine that the tenant:
    - a. Does not possess the necessary quality, fitness, or capacity to comply with the terms of the lease, should be declared a non-responsible contractor, and invoke remedies as set forth in Section J of these Rules and Regulations; or
    - b. Should be declared a responsible contractor.
  6. LAWA's determination shall be final and constitute exhaustion of administrative remedies.
  7. PSD shall provide LAWA's written final decision to the tenant and to the Requesting Division. If the tenant is declared to be non-responsible, a copy of the final decision shall also be provided to the City Administrative Officer.

## J. NON-RESPONSIBILITY SANCTIONS

### Sanctions for Airline Tenants:

Airline tenants that do not comply with CRP requirements and/or are determined non-responsible by LAWA will be declared to have a material breach of the lease agreement. LAWA may exercise its legal remedies thereunder, which are to include, but not limited to:

1. Non-issuance of a successor ACOP, paying landing fees at the higher rate of non-permitted carriers;
2. Losses of exclusive, preferential and/or historical gate assignments;
3. Termination of the lease agreement.

**Sanctions for Non-Airline Tenants:**

1. **Prospective** tenants that do not comply with CRP requirements and/or are determined non-responsible by LAWA will be disqualified and will not be awarded a lease agreement.
2. **Current** tenants that do not comply with CRP requirements and/or are determined non-responsible will be declared to have a material breach of the lease agreement. LAWA may exercise its legal remedies thereunder, which are to include, but not limited to the termination of the lease agreement.

Such tenant shall not perform any work or occupy any leasehold premises in the proposed lease, whether as a Master tenant, a subtenant, a partner in a partnership, a participant in a joint venture, a member of a consortium, or in any other capacity.

3. Upon final determination of a tenant as a non-responsible contractor, PSD shall provide the Requesting Division and the tenant with a written notice summarizing the findings and applicable sanctions.
4. PSD shall maintain a listing of tenants/subtenants who have been found non-responsible by LAWA pursuant to the CRP.

**K. EXEMPTIONS**

1. **Categorical Exemption:** The following types of lease agreements are categorically exempt from the CRP and these Rules and Regulations:
  - a. Lease agreements with a governmental entity such as the United States of America, the State of California, a county, city or public agency of such entities, or a public or quasi-public corporation located therein and declared by law to have such status.
  - b. Lease agreements wherein LAWA is the Lessee
  - c. LAWA permits, certificates, license agreements
  - d. Lease agreements for the purpose of re-setting the lease rates or other rates and charges for City facilities covered in lease agreements
  - e. Lease agreements wherein LAWA buys/sells/exchanges real estate or when LAWA conveys or receives easements rights(a real estate interest) in land
2. **Board approval required for CRP Exemptions:** The following types of lease agreements are exempt from the CRP and these Rules and Regulations when the Board of Airport Commissioners makes a finding that the lease agreement meets any of the following conditions:

- a. Lease agreements awarded on the basis of exigent circumstances whenever Board finds that LAWA would suffer a financial loss or LAWA operations would be adversely impacted.
- b. Lease agreements entered into during time of war or national, state or local emergency.

#### **L. EFFECTIVE DATE OF RULES AND REGULATIONS**

1. The CRP and these Rules and Regulations apply to Lease agreements **issued** after the City Attorney has approved these Rules and Regulations, the CRP Pledge of Compliance, and the CRP Questionnaire.
2. The CRP and these Rules and Regulations apply to lease agreements **entered into** by LAWA after the City Attorney has approved these Rules and Regulations, the CRP Pledge of Compliance, and the CRP Questionnaire.
3. Leases amended after these Rules and Regulations are approved by the City Attorney will become subject to CRP and these Rules and Regulations if they meet definitions contained in the CRP and these Rules and Regulations.

#### **M. CONSISTENCY WITH FEDERAL AND STATE LAW**

The CRP and these Rules and Regulations do not apply in instances where application would be prohibited by Federal and State law or where the application would violate or be inconsistent with the terms and conditions of a grant or contract with the Federal or State agency.

#### **N. SEVERABILITY**

If any provision of the CRP or these Rules and Regulations are declared legally invalid by any court of competent jurisdiction, the remaining provisions remain in full force and effect.

**LOS ANGELES WORLD AIRPORTS  
CONTRACTOR RESPONSIBILITY PROGRAM  
PLEDGE OF COMPLIANCE FOR LEASES**

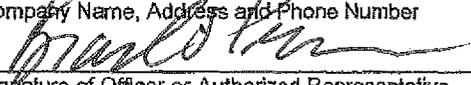
The Los Angeles World Airports (LAWA) Contractor Responsibility Program (Board Resolution #21601) provides that, unless specifically exempted, LAWA Tenants for leases that require the Board of Airport Commissioners' approval shall comply with all applicable provisions of the LAWA Contractor Responsibility Program. Tenants for leases subject to the CRP are required to complete and submit this Pledge of Compliance with the lease agreement. In addition, within ten (10) days of execution of any sublease agreement, the Tenant shall submit to LAWA this Pledge of Compliance from each Subtenant listed as performing work on, or otherwise occupying, the leasehold premises.

The Tenant agrees to comply with the Contractor Responsibility Program and the following provisions:

- (a) To comply with all applicable Federal, State, and local laws that apply to the lease agreement, including but not limited to, laws regarding health and safety, labor and employment, wage and hours, and licensing laws which affect employees.
- (b) To notify LAWA within thirty (30) calendar days after receiving notification that any government agency has initiated an investigation that may result in a finding that the Tenant is not in compliance with paragraph (a).
- (c) To notify LAWA within thirty (30) calendar days of all findings by a government agency or court of competent jurisdiction that the Tenant has violated paragraph (a).
- (d) To ensure that Subtenants occupying space through any Sublease in connection with a LAWA lease agreement shall complete and sign a Pledge of Compliance attesting under penalty of perjury to compliance with paragraphs (a) through (c) herein. To submit to LAWA the completed Pledges.
- (e) To notify LAWA within thirty (30) days of becoming aware of an investigation, violation or finding of any applicable Federal, State, or local law involving any Subtenant(s) in the LAWA lease agreement.
- (f) To cooperate fully with LAWA during an investigation and to respond to request(s) for information within ten (10) working days from the date of the Notice to Respond.

Failure to sign and submit this form to LAWA as required may render the Tenant non-compliant with the terms of the lease and subject to CRP sanctions.

Alaska Airlines, Inc. P.O. Box 68900, Seattle, WA 98168-0900 206-433-3200  
Company Name, Address and Phone Number

  
Signature of Officer or Authorized Representative **Brandon Pedersen** 3/3/11 Date

**Vice President, Finance &  
Chief Financial Officer**  
Print Name and Title of Officer or Authorized Representative

Airline Terminal Space Lease and License Agreement  
Project Title

EXHIBIT L

First Source Hiring Program

## FIRST SOURCE HIRING PROGRAM FOR AIRPORT EMPLOYEES

- I. Purpose. The purpose of this First Source Hiring Program is to facilitate the employment of Targeted Applicants by Airport Employers. It is a goal of this First Source Hiring Program that this Program benefit Airport Employers by providing a pool of qualified job applicants through a non-exclusive referral system.
- II. Definitions. As used in this Program, the following capitalized terms shall have the following meanings. All definitions include both the singular and plural form.

“Airport” shall mean Los Angeles International Airport.

“Airport Employer” shall mean a party that, through a contract, lease, licensing arrangement, or other arrangement, agrees to comply with this First Source Hiring Program with regard to Airport Jobs. Operators of transportation charter party limousines, non-tenant shuttles, and taxis shall not be considered Airport Employers.

“Airport Job” shall mean a job that either (i) is performed On-Site, or (ii) is directly related to a contract, lease, licensing arrangement, or other arrangement under which the employer is an Airport Employer. Positions for which City's Worker Retention Policy requires hiring of particular individuals shall not constitute Airport Jobs for purposes of this Program.

“City” shall mean the City of Los Angeles.

“Coalition” shall mean the LAX Coalition for Economic, Environmental, and Educational Justice, an unincorporated association comprised exclusively of the following organizations: AGENDA; AME Minister's Alliance; Clergy and Laity United for Economic Justice; Coalition for Clean Air; Communities for a Better Environment; Community Coalition; Community Coalition for Change; Environmental Defense; Inglewood Coalition for Drug and Violence Prevention; Inglewood Democratic Club; Lennox Coordinating Council; Los Angeles Alliance for a New Economy; Los Angeles Council of Churches; Nation of Islam; Natural Resources Defense Council; Physicians for Social Responsibility Los Angeles; Service Employees International Union Local 347; and Teamsters Local 911.

“Coalition Representative” shall mean the following: The Coalition shall designate one individual as the “Coalition Representative” authorized to speak or act on behalf of the Coalition for all purposes under the Cooperation Agreement. The Coalition Representative may designate one or more assistants to assist the Coalition Representative in speaking or acting on behalf of the Coalition with respect to any specific program or activity or any other matter. The Coalition shall provide LAWA with contact information for the Coalition Representative

upon request.

“Cooperation Agreement” shall mean the Cooperation Agreement between LAWA and the LAX Coalition for Economic, Environmental and Educational Justice.

“LAWA” shall mean Los Angeles World Airports.

“Low-Income Individual” shall mean an individual whose household income is no greater than 80% of the median income, adjusted for household size, for the Primary Metropolitan Statistical Area.

“On-Site” shall mean physically located on property owned or leased by LAWA and pertaining to Airport.

“Program” shall mean this First Source Hiring Program.

“Project Impact Area” shall have the meaning set forth in the "Final Environmental Impact Report" for the LAX Master Plan Program, dated April 2004, as supplemented by one or more EIR Addenda prior to certification of the EIR by the City Council.

“Referral System” shall mean the referral system established to provide applicant referrals for the Program.

“Special Needs Individuals” shall mean: (i) individuals who receive or have received public assistance through the Temporary Assistance for Needy Families Program, within the past 24 months; (ii) individuals who are homeless; (iii) ex-offenders, (iv) chronically unemployed, and (v) dislocated airport workers.

“Targeted Applicants” shall have the meaning set forth in Section IV below.

- III. Coverage. This Program shall apply to hiring by Airport Employers for all Airport Jobs, except for jobs for which the hiring procedures are governed by a collective bargaining contract that conflicts with this Program.
- IV. Targeted Applicants. Referrals under the Program shall, to the extent permissible by law, be made in the order of priority set forth below.
- First Priority: Low-Income Individuals living in the Project Impact Area for at least one year and Special Needs Individuals; and
  - Second Priority: Low-Income Individuals residing in City.
- V. Initial Airport Employer Roles.
- A. Liaison. Each Airport Employer shall designate a liaison for issues related to the Program. The liaison shall work with LAWA, the Coalition

Representative, the Referral System provider, and relevant public officials to facilitate effective implementation of this Program.

- B. Long-Range Planning. Any entity that becomes an Airport Employer at least two (2) months prior to commencing operations related to Airport shall, at least two months prior to commencing operations related to Airport, provide to the Referral System the approximate number and type of Airport Jobs that it will fill and the basic qualifications necessary.

VI. Airport Employer Hiring Process.

- A. Notification of Job Opportunities. Prior to hiring for any Airport Job, an Airport Employer shall notify the Referral System, by e-mail or fax, of available job openings and provide a description of job responsibilities and qualifications, including expectations, salary, work schedule, duration of employment, required standard of appearance, and any special requirements (e.g., language skills, driver's license, etc.). Job qualifications shall be limited to skills directly related to performance of job duties.
- B. Referrals. After receiving a notification under Section VI.A above, the Referral System shall within five days, or longer time frame agreed to by the Referral System and Airport Employer, refer to the Airport Employer one or more Targeted Applicants who meet the Airport Employer's qualifications.
- C. Hiring.
  - 1. New Employer Targeted Hiring Period. When making initial hires for the commencement of an Airport Employer's operations related to Airport, the Airport Employer shall consider and hire only Targeted Applicants for a two week period following provision of the notification described in Section VI.A. After this period, the Airport Employer shall make good-faith efforts to hire Targeted Applicants, but may consider and hire applicants referred or recruited through any source.
  - 2. Established Employer Targeted Hiring Period. When making hires after the commencement of operations related to Airport, an Airport Employer shall consider and hire only Targeted Applicants for a five-day period following provision of the notification described in Section VI.A. After this period, the Airport Employer shall make good-faith efforts to hire Targeted Applicants, but may consider and hire applicants referred or recruited through any source.
  - 3. Hiring Procedure During Targeted Hiring Periods. During the periods described in Sections VI.C.1 and VI.C.2 above, Airport

Employers may hire Targeted Applicants recruited or referred through any source. During such periods Airport Employers shall use normal hiring practices, including interviews, to consider all applicants referred by the Referral System.

4. No Referral Fees. No Airport Employer or referred job candidate shall be required to pay any fee, cost or expense of the Referral System or this Program in connection with referrals.

VII. Reporting and Recordkeeping.

- A. Reports. During the time that this Program is applicable to any Airport Employer, that Airport Employer shall, on a quarterly basis, notify the Referral System of the number, by job classification, of Targeted Applicants hired by the Airport Employer during that quarter, and the total number of employees hired by the Airport Employer for Airport Jobs during that quarter. Any Airport Employer who has not had hiring activity for the quarter, shall also notify the Referral System of such inactivity.
- B. Recordkeeping. During the time that this Program is applicable to any Airport Employer, that Airport Employer shall retain records sufficient for monitoring of compliance with this Program with regard to each Airport Job, including records of notifications sent to the Referral System, referrals from the Referral System, job applications received from any source, number of Targeted Applicants hired, and total number of employees hired for Airport Jobs. To the extent allowed by law, and upon reasonable notice, these records shall be made available to LAWA and to the Referral System for inspection upon request. The Coalition Representative may request that LAWA provide such records at anytime. Records may be redacted so that individuals are not identified by name and so that information required by law to remain confidential is excluded.
- C. Complaints. If LAWA, the Coalition, or the Referral System believes that an Airport Employer is not complying with this Program, then the designated LAWA office shall be notified to ensure compliance with this program.
- D. Liquidated Damages. Each Airport Employer agrees to pay to LAWA liquidated damages in the amount of One Thousand Dollars (\$1,000) where LAWA finds that the Airport Employer has violated this Program with regard to hiring for a particular Airport Job. LAWA shall establish procedures providing to Airport Employers notice and an opportunity to present all relevant evidence prior to LAWA's final determination regarding an alleged violation. This liquidated damages provision does not preclude LAWA from obtaining any other form of available relief to ensure compliance with this Program, including injunctive relief.

VIII. Miscellaneous.

- A. Compliance with State and Federal Law. This Program shall be implemented only to the extent that it is consistent with the laws of the State of California and the United States. If any provision of this Program is held by a court of law to be in conflict with state or federal law, the applicable law shall prevail over the terms of this Program, and the conflicting provisions of this Program shall not be enforceable.
- B. Severability Clause. If any term, provision, covenant or condition of this Program is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall continue in full force and effect.
- C. Binding on Successors. This Program shall be binding upon and inure to the benefit of the successors in interest, transferees, assigns, present and future partners, subsidiary corporations, affiliates, agents, representatives, heirs, and administrators of any party that has committed to comply with it. Any reference in this Program to a party shall be deemed to apply to any successor in interest, transferee, assign, present or future partner, subsidiary corporation, affiliate, agent, representative, heir or administrator of such party; provided, however, that any assignment, transfer or encumbrance of a lease agreement, permit or contract in which this Program is incorporated shall only be made in strict compliance with the terms of such lease agreement, permit or contract and the foregoing shall not constitute consent to any such assignment, transfer or encumbrance.
- D. Lease Agreements and Contracts. Airport Employers shall not execute any sublease agreement or other contract under which Airport Jobs may occur directly or indirectly, unless the entirety of this Program is included as a material term thereof, binding on all parties.
- E. Assurance Regarding Preexisting Contracts. Each Airport Employer warrants and represents that as of the date of execution of this Program, it has executed no sublease agreement or other contract that would violate any provision of this Program had it been executed after the date of incorporation of this Program into a binding contract.
- F. Intended Beneficiaries. LAWA, the Coalition, and the Referral System are intended third-party beneficiaries of contracts and other agreements that incorporate this Program with regard to the terms and provisions of this Program. However, the parties recognize that only LAWA has the sole responsibility to enforce the provisions of this Program.
- G. Material Terms. All provisions of this Program shall be material terms of any lease agreement or contract in which it is incorporated.

- H. Effective Date. Section VI of this Program shall become effective on the effective date of the contract or agreement into which it is incorporated.
- I. Construction. Any party incorporating this Program into a binding contract has had the opportunity to be advised by counsel with regard to this Program. Accordingly, this Program shall not be strictly construed against any party, and the rule of construction that any ambiguities be resolved against the drafting party shall not apply to this Program.
- J. Entire Contract. This Program contains the entire agreement between the parties on the subjects described herein, and supersedes any prior agreements, whether written or oral. This Program may not be altered, amended or modified except by an instrument in writing signed in writing by all parties to the contract in which it is incorporated.

EXHIBIT M

Loading Plan

# Alaska Airlines

March 28, 2011

Dave Jones  
Director Terminals Business Management  
Los Angeles World Airports  
6053 W. Century Blvd #411-F  
Los Angeles, CA, 90045

Dear Mr. Jones,

The Airline Terminal Space Lease and License Agreement between Alaska Airlines, INC. and The City of Los Angeles Department of Airports require Alaska Airlines to submit for approval Horizon Airlines Loading Plan (Exhibit M).

Front Door Operations will be used and approved as part of this loading plan. Dual Door Operations will be subject to LAWA approval pending live operational review.

I've attached a copy of Horizon Airlines Loading Plan (Exhibit M) for your review. Please sign below that you've approved Horizon Airlines Loading Plan.

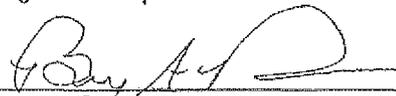
Please let me know if additional information is required.

Sincerely,

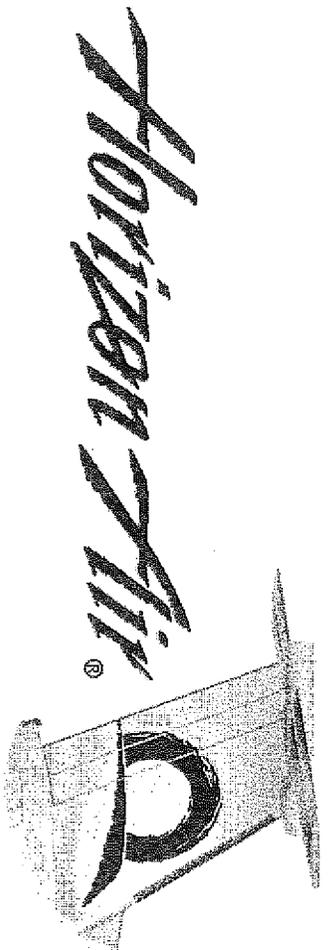
ALASKA AIRLINES, INC.

  
Scott Kimball  
Manager, Airport Affairs  
Alaska Airlines  
Corporate Real Estate

Barry A. Rondinella, Dirport of Operations  
Los Angeles World Airports

By:   
Operations Department

BOX 68900 SEATTLE, WA 98168-0900/206-433-3200



# Q400 Ground Servicing Procedures

Horizon Air Ground Services Support, 2011

# Safety Guidelines

- All equipment must be pre-staged at least five feet from the aircraft's intended taxi path and parking spot.
- All drivable equipment must be operated in accordance with the 15-5 rule. At approximately 15 feet from an aircraft, the operator shall check the brakes and slow the vehicle down to the speed of a slow walk. At five feet from an aircraft, the operator shall stop.
- Except for belt loaders, drivable equipment shall remain at least five feet from the aircraft at all times.
- Belt loaders shall be chocked when parked within the circle of safety of a Horizon aircraft.

*Horizon Air* 

# Q400-Specific Safety Guidelines

- All Q400 arrivals shall be chocked at the nosegear. Chocking may only take place after both propellers have feathered.
- All agents and passengers shall be protected from the propellers at all times. Protection is accomplished by ribboning off the aft stairs to the wingtip
- Because of the close proximity of the aft passenger door to the cargo compartment, passengers may not deplane from the aft passenger door while the belt loader is being positioned.
- Passengers are not allowed access to checked or carry-out bags during the loading/unloading process.

*Horizon Air* 

# Q400 Servicing Steps – Arrival Phase

Pre-position ground support equipment

Marshall aircraft to the stop bar & chock nosegear. Then give the Captain the “chocks-inserted” hand signal.

Plug in the ground power unit and turn it on. Then give the Captain the “power-connected” hand signal.

Position step stool at main cabin door, thumbs up to flight attendant when safe to deplane

Position belt loader at aft cargo compartment

Position aft stair stanchion at wingtip and the stairs at aft passenger door.

After the main cabin door opens, open the aft passenger door. Swing the aft stairs handrail into place and give the flight attendant a thumbs-up when it is safe for them to deplane passengers.

Retrieve ala cart bags from aft cargo compartment and deliver to “ala cart” sign

Check forward cargo compartment for cargo items.

Position tug & carts at aft cargo compartment.

*Horizon Air* 

# Q400 Servicing Steps – Departure Phase

After flights of 90 minutes or longer, service the lavatory exterior and interior. (Or anytime the flight crew requests the service).

Perform any other requested services (windscreen bug washes, retrieve bags of ice, passengers needing special assistance, etc..)

Load the cargo compartments - forward compartment is only used for overflow or to separate animals from dry ice (preferably the dry ice is loaded forward and the animal aft).

Assist passengers, tag their carry-out bags if needed.

Load carry-outs, close cargo doors, remove equipment from aircraft. Do not remove the aft passenger stairs until the flight attendant has closed the aft passenger door.

Perform pre-departure walk-around inspection. Perform secondary tactile and visual door inspections.

Close the main cabin door once the flight attendant gives a thumbs-up.

Marshall-out or push aircraft back from gate.



# Q400 Servicing Steps – Departure Phase – Load Verification Procedures

Once the carry-out count is known, the Load Coordinator (LC) assigned to the flight shall complete their portions of the aircraft load worksheet. And then, along with a loading agent, shall accomplish the load accuracy checklist.

Submit the completed aircraft load worksheet (1 of 2 copies) to the Captain. Enter the load information from the second copy into WebLoads.

Obtain a cargo total number from WebLoads, return to the flightdeck and visually compare the Captain's cargo total from his/her load manifest with the cargo total from WebLoads. The LC and Captain shall Resolve any numbers that do not match, prior to pushback or marshall-out.

The logo for Horizon Air, featuring the text "Horizon Air" in a stylized, cursive font, followed by a circular emblem containing a stylized letter "Q".

Horizon Air 

# Supplemental Information

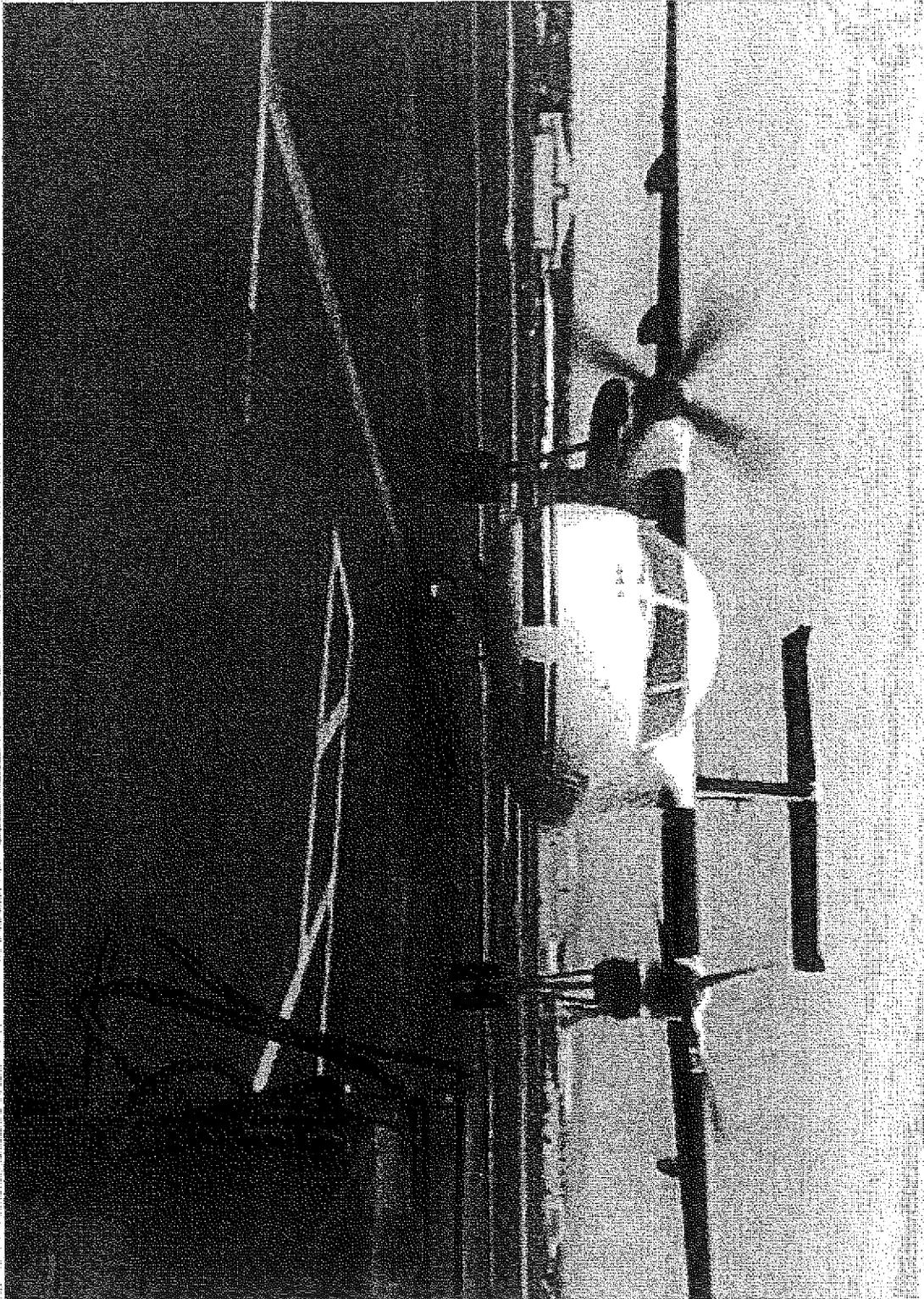
**Air conditioning** - external air connection is located on the aft right side of fuselage. Air conditioning is used where available when temperatures exceed 70F or are forecast to drop below 40F.

**Single-engine operations** - Specific procedures are in place for single-engine operations. If the #2 engine is started while the aircraft is being serviced at the gate, A safety observer shall stand in front of the aircraft and specific servicing guidelines shall be followed. See SM p6.7.5-8.

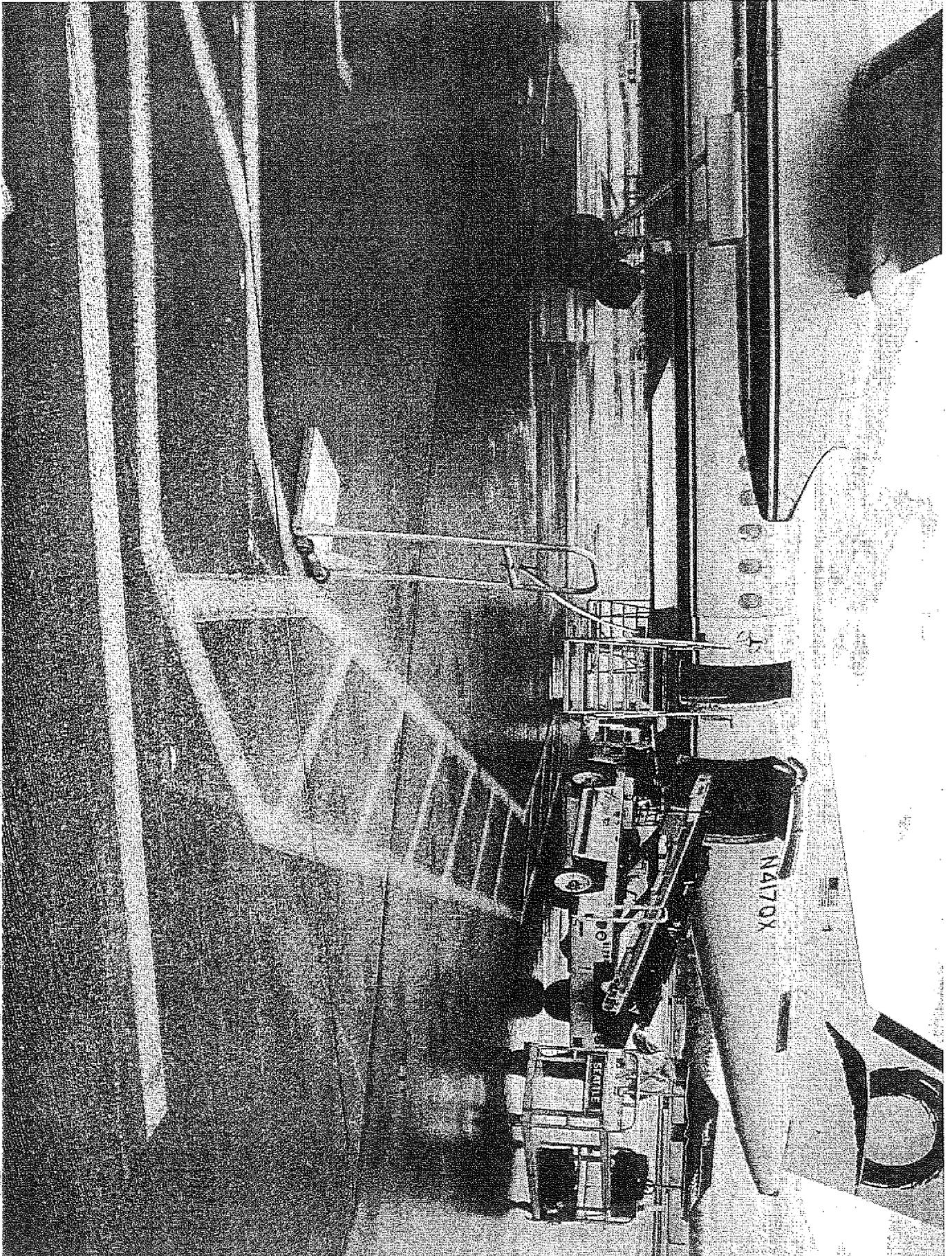
**Deicing** - During deicing, both engines are typically off, along with the APU bleed valves, if the APU is running. For engines running deicing, the engine on the side where deicing is taking place shall be off, and the critical surfaces, sensitive areas, and representative surfaces, as defined by Bombardier and Horizon Air, shall be free of contamination prior to take-off. Horizon's FAA approved deicing program shall be used for deicing of all Horizon aircraft.

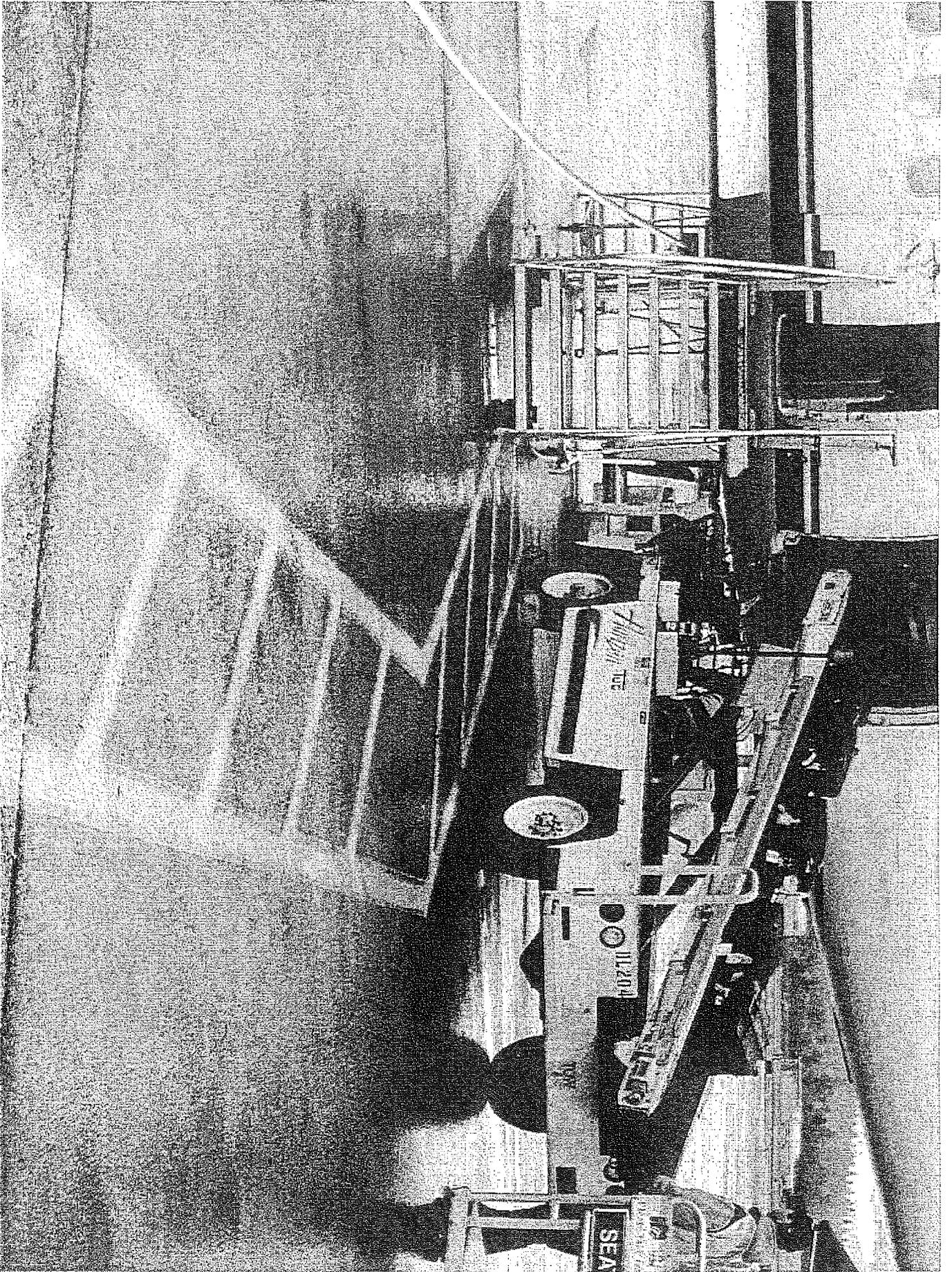
**Other** - Contact [josh.nice@horizonair.com](mailto:josh.nice@horizonair.com) for additional curriculum on the Q400.

*Horizon Air* 



*Horizon 700* 





## TOWBAR- ENGINE START DURING PUSHBACK

### When Ready for Pushback

Captain: "Flightdeck to ramp?"

Ramp: "Walk around check complete, release brakes."

Captain: "Brakes released, cleared for pushback, tail N/S/E/W."

Ramp: "Tail N/S/E/W."

### When Ready for Engine Start

CRJ Ramp: "Cleared to start engines."

CRJ Captain: "Roger. Cleared to start."

O200/Q400 Captain: "Cleared to start #2 (or #1) engine?"

Q200/Q400 Ramp: "Cleared to start #2 (or #1)."

### When Pushback Is Complete

Ramp: "Set brakes."

Captain: "Brakes set, cleared to disconnect."

Ramp: "Disconnecting, going to hand signals, have a nice flight."

1. After the towbar and headset have been disconnected, the Captain initiate the "doors secured" hand signal. The Marshaller will walk closer to the communications and GPU panels and visually verify that the panels are closed, and then return the hand signal to the Captain.
2. Captain will flash the taxi light. The Marshaller will give the "clear to taxi" salute.

## TOWBAR- ENGINE START AT GATE

### When Ready for Engine Start

Captain: "Flightdeck to ramp?"

Ramp: "Walk around check complete, set brakes."

Captain: "Brakes set. Cleared to start #2 (or #1) engine?"

Ramp: "Cleared to start #2 (or #1)."

Caution: During CRJ Air starts, the Captain will start #2 and request for the air to be disconnected before starting #1

### When Engine(s) Started

Captain: "Disconnect external power ("and air" if applicable)."

Ramp: "Disconnecting external power ("and air" if applicable)."

### When Ready for Pushback

Ramp: "Ready for pushback, release brakes."

Captain: "Brakes released, cleared for pushback, tail N/S/E/W."

Ramp: "Tail N/S/E/W."

### When Pushback is Complete

Ramp: "Set brakes."

Captain: "Brakes set, cleared to disconnect"

Ramp: "Disconnecting, going to hand signals."

1. After the towbar and headset have been disconnected, the Captain will initiate the "doors secured" hand signal. The Marshaller will walk closer to the communications and GPU panels and visually verify that the panels are closed, and then return the hand signal to the Captain.
2. Captain will flash the taxi light. The Marshaller will give the "clear to taxi" salute.

HLA-219 (Rev. 11/06)

Horizon Air 

# Passenger Control at Horizon Air

*Horizon Air*



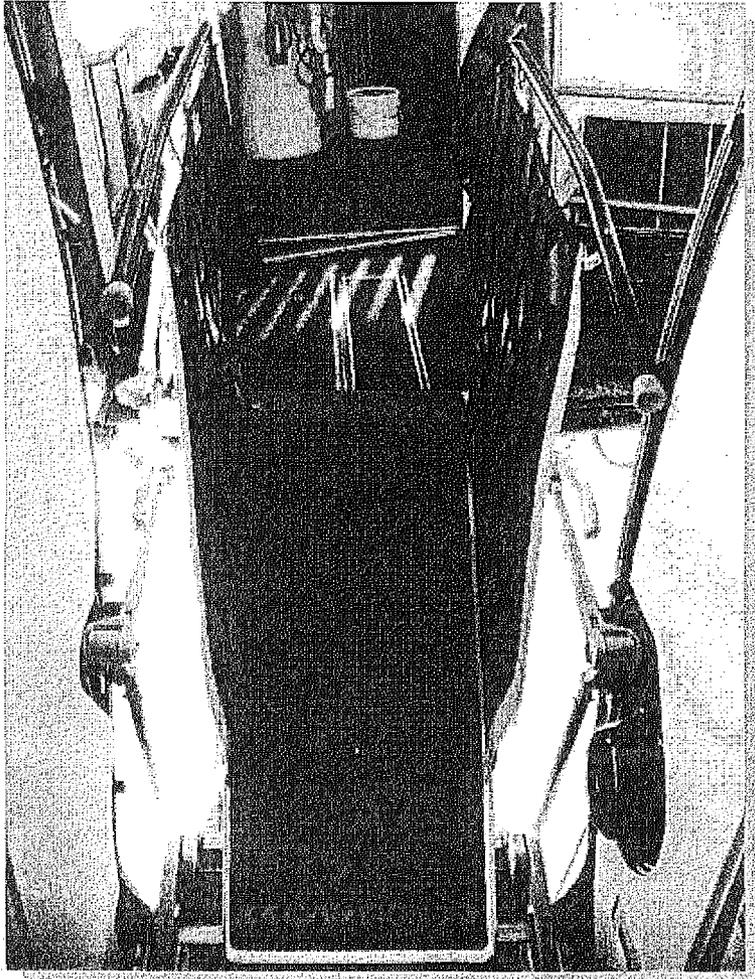
# Controlling Passenger Movement

Horizon uses several methods to control passenger movement.

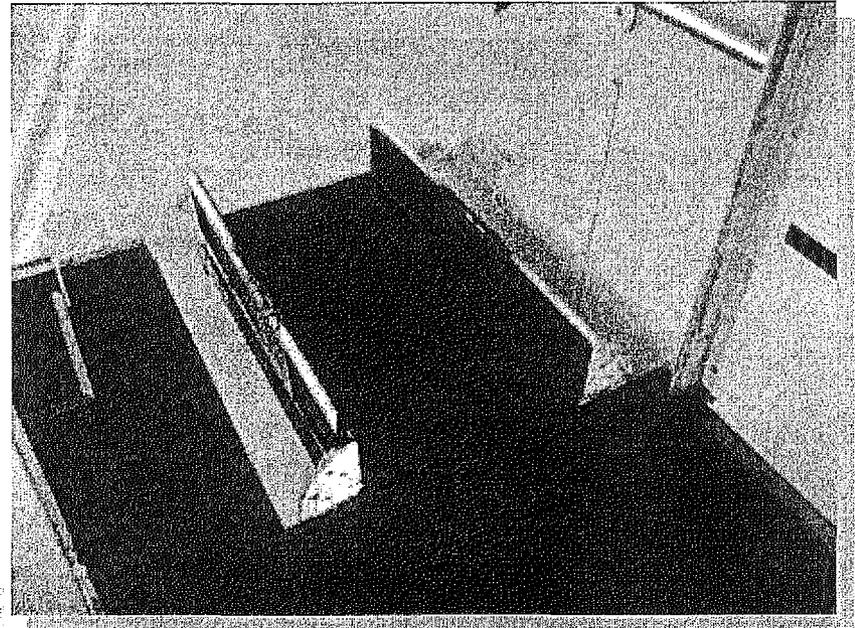


# Controlling Passenger Movement

Jetways - MBA or Specialized



MBA

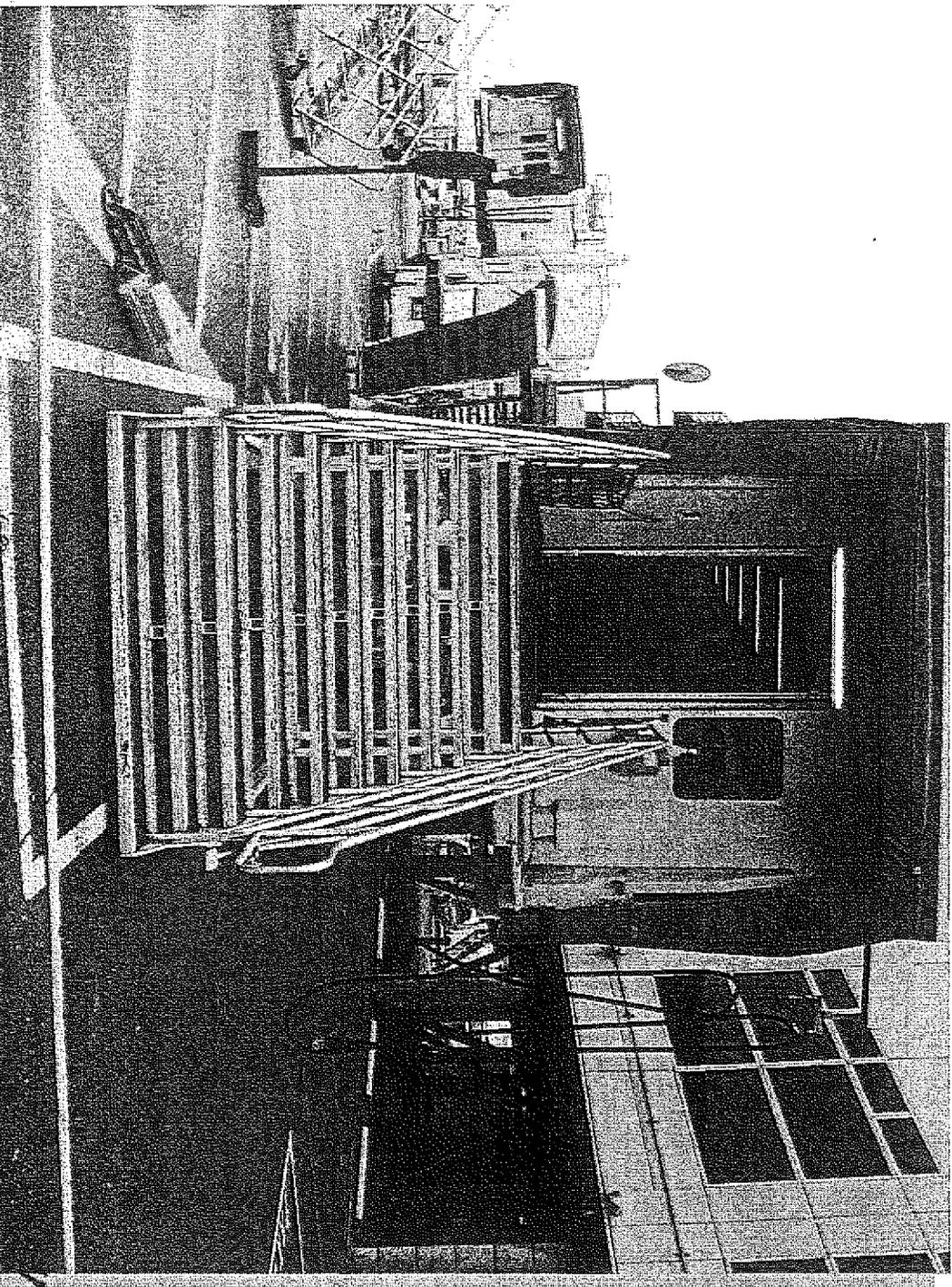


Specialized

*Horizon Air* 

# Controlling Passenger Movement

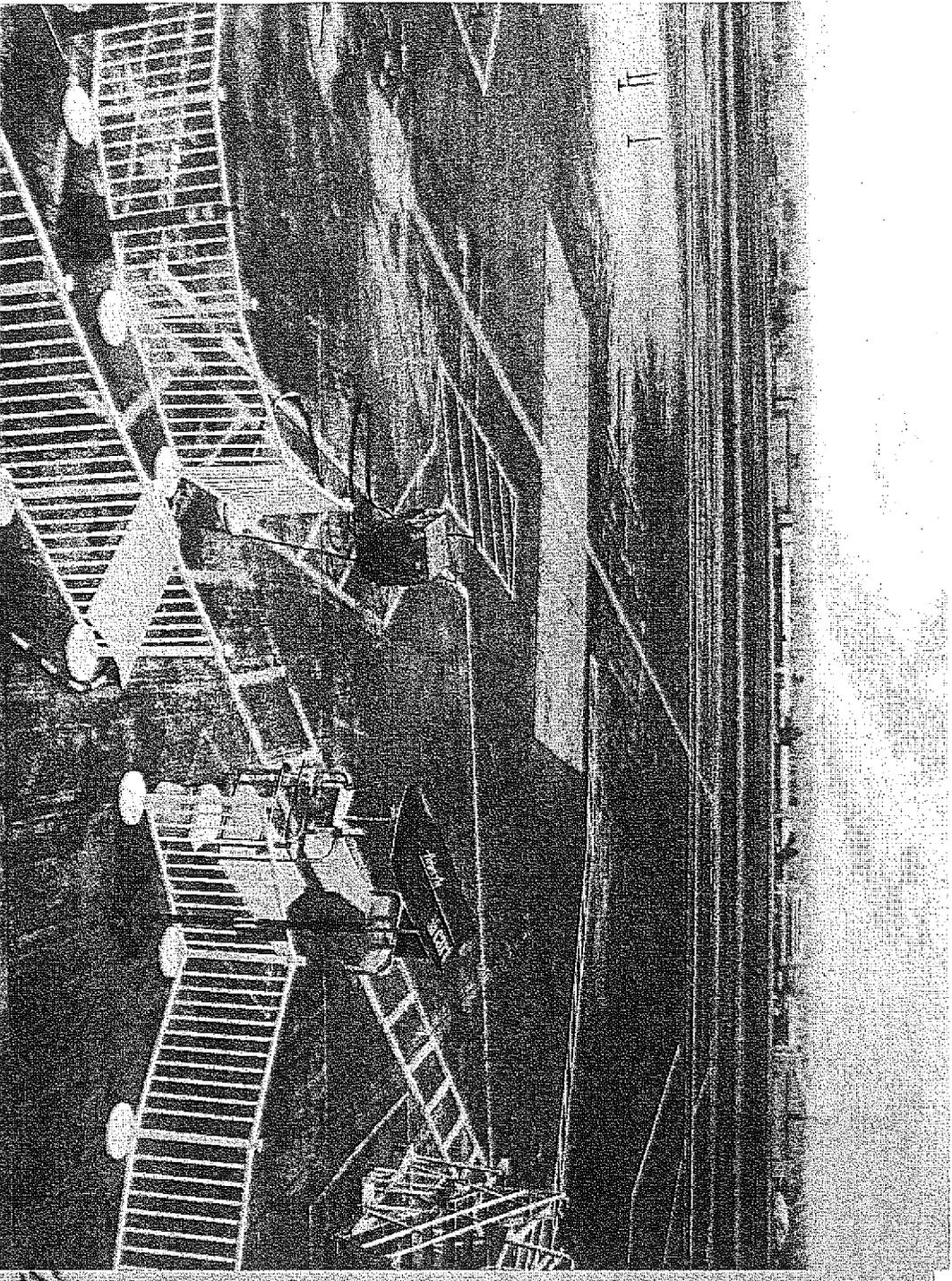
Jetways - Stairs



© 2001 Air. A

# Controlling Passenger Movement

Painted Walkways

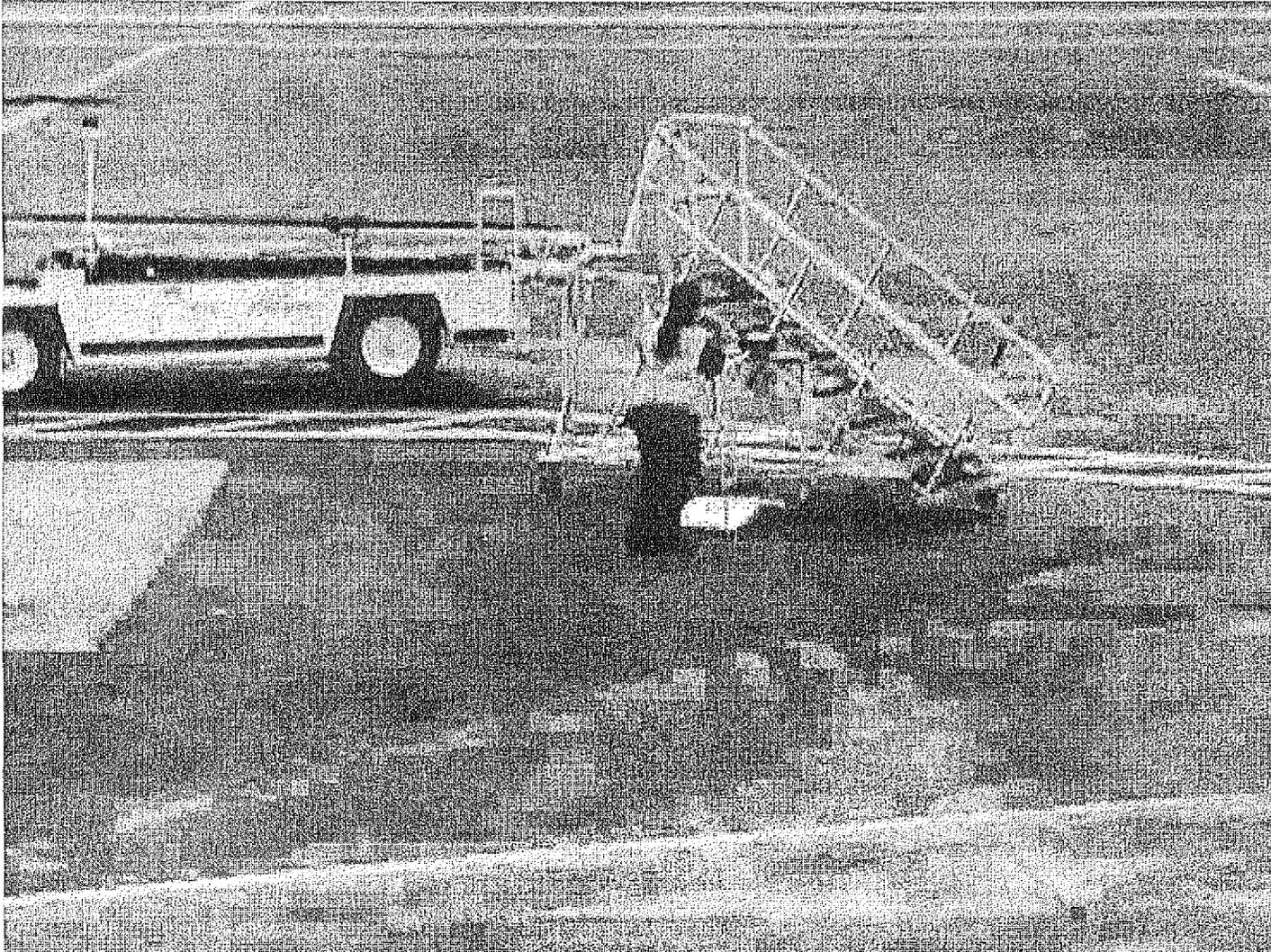


from Mr.

D

# Controlling Passenger Movement

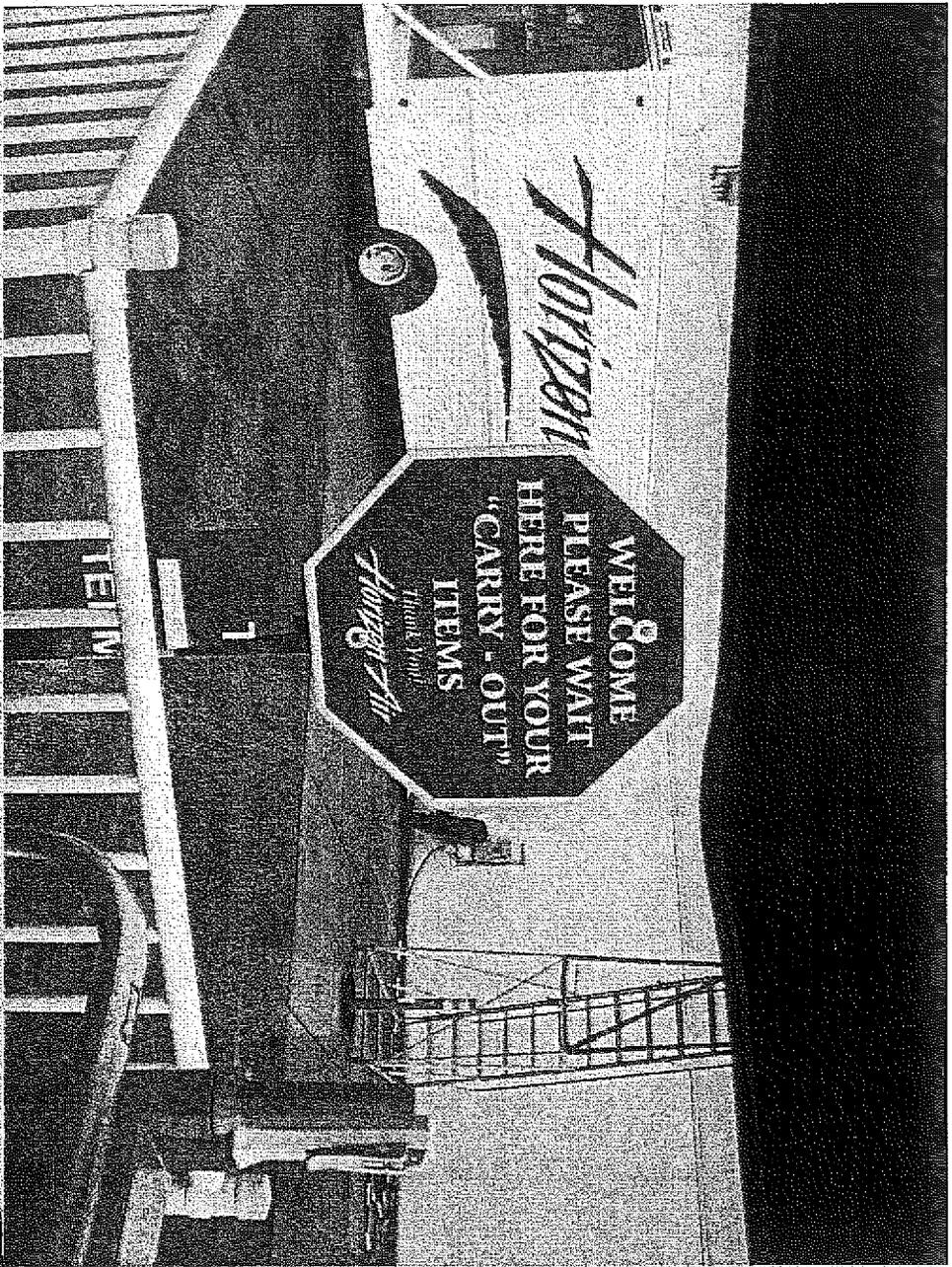
Front Door Operations will be used and approved as part of this loading plan. Dual Door Operations will be subject to LAWA approval pending live operational review.



*Horizon Air* 

# Controlling Passenger Movement

Ala Carte Stop Sign



*Horizon Air*

# Controlling Passenger Movement

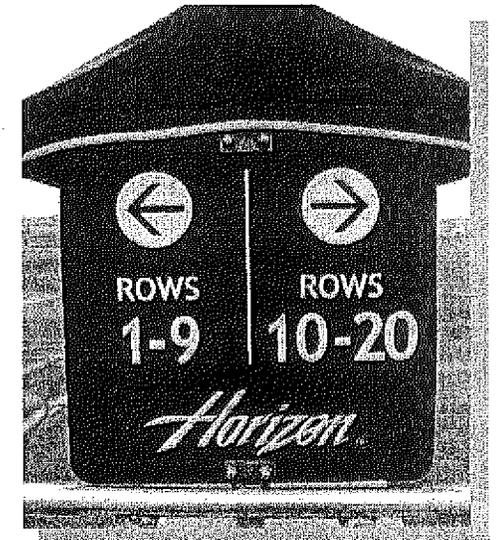
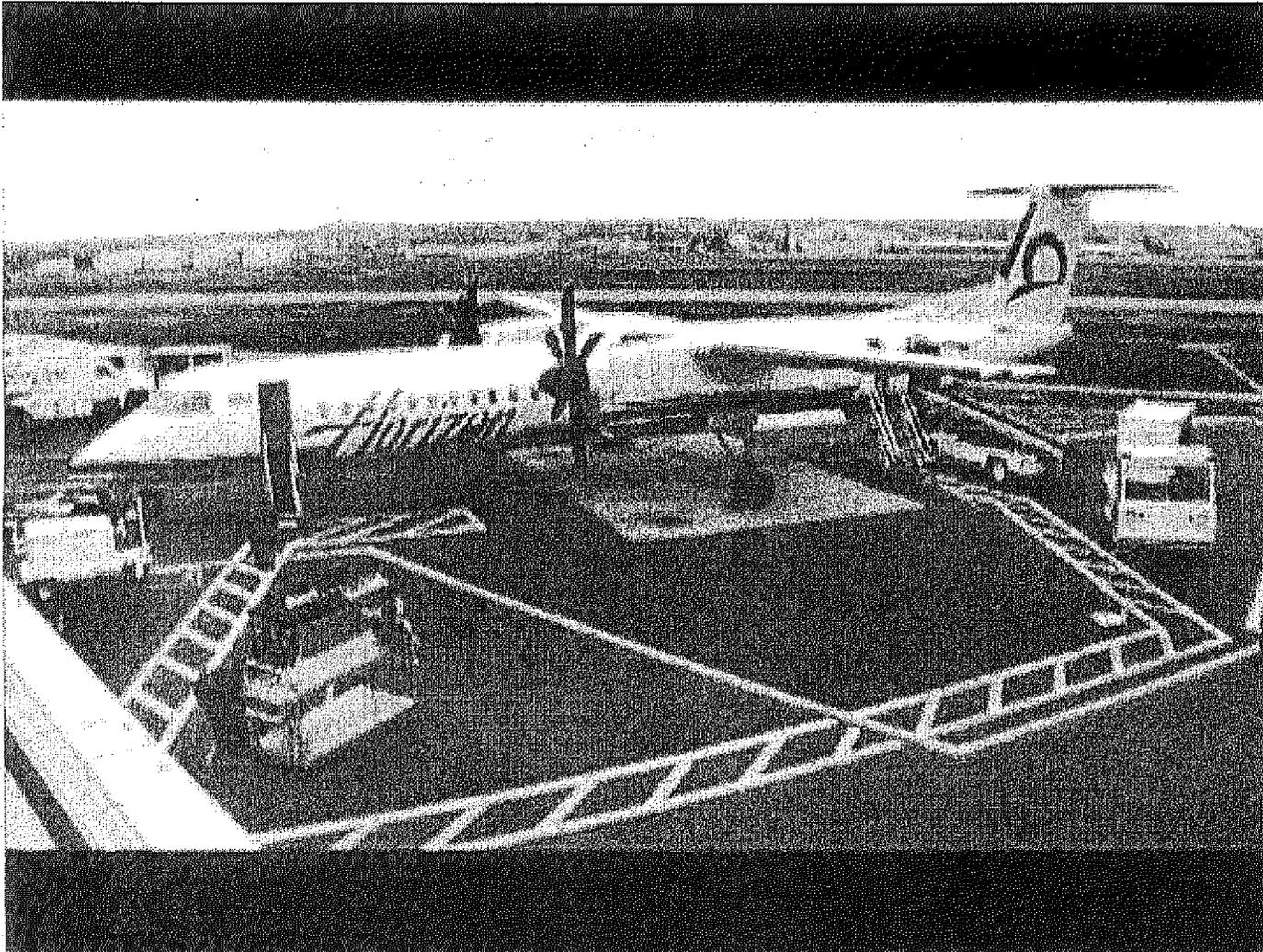
Front Door Operations will be used and approved as part of this loading plan. Dual Door Operations will be subject to LAWA approval pending live operational review.



Horizon Air 

# Controlling Passenger Movement

Front Door Operations will be used and approved as part of this loading plan. Dual Door Operations will be subject to LAWA approval pending live operational review.



*Horizon Air* 

# Employee Responsibilities

Our employees are required to ensure the following safety measures are met



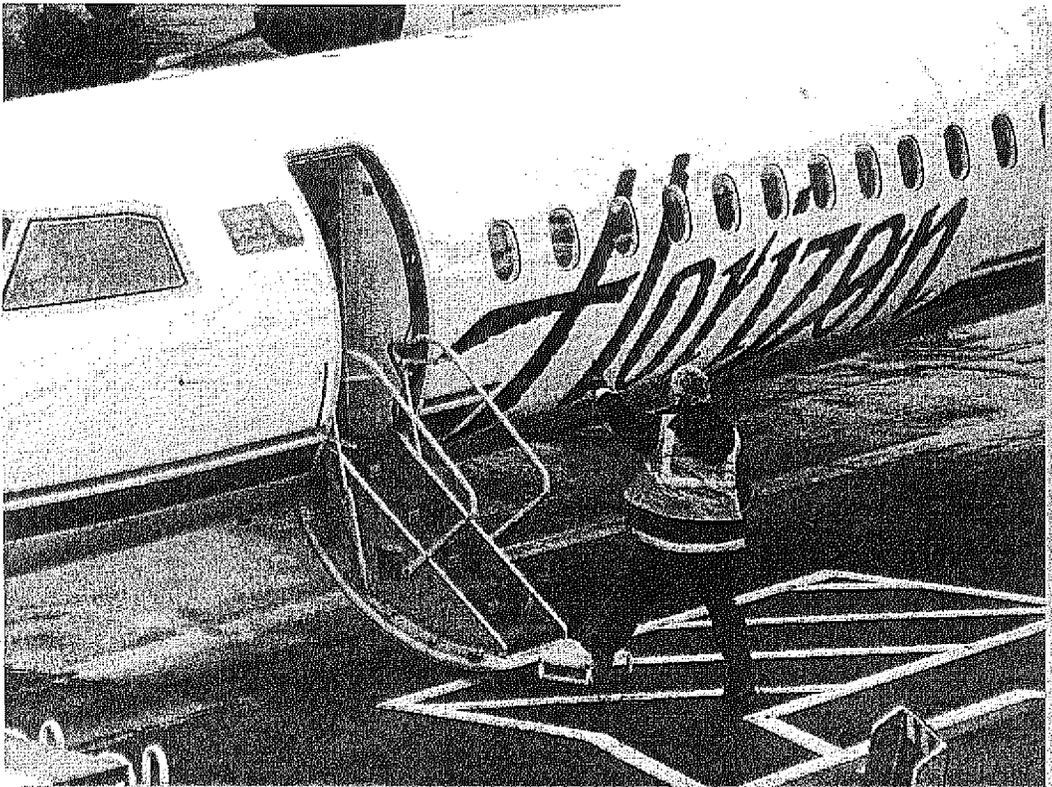
# Employee Responsibilities

1. Remove all obstacles from the passenger pathway between the aircraft and the gate.
2. No passengers are allowed behind the wing except during dual door operation.
3. Passengers are not allowed access to checked or carry-on bags during the offload and upload process.
4. Front Door Operations will be used and approved as part of this loading plan. Dual Door Operations will be subject to LAWA approval pending live operational review.

*Horizon Air* 

# Employee Responsibilities

4. Be aware of all passenger, aircraft, and vehicle movements to ensure that passengers are not exposed to hazards on the ramp.



*Horizon Air* 