



Item Number
14

Report to the BOARD OF AIRPORT COMMISSIONERS

Approver: <u></u> Samantha Bricker (Jun 8, 2023 16:21 PDT) Dave Jones, Deputy Executive Director Commercial Development Division	Meeting Date 6/15/2023																									
	Needs Council Approval: <input checked="" type="checkbox"/> Y																									
Reviewer: <u></u> Brian C. Ostler, City Attorney <u></u> Justin Erbacci (Jun 8, 2023 17:05 PDT) Justin Erbacci, Chief Executive Officer	<table border="1"> <thead> <tr> <th>Reviewed for/by</th> <th>Date</th> <th>Approval Status</th> <th>By</th> </tr> </thead> <tbody> <tr> <td>Finance</td> <td>6/5/2023</td> <td><input checked="" type="checkbox"/> Y <input type="checkbox"/> NA</td> <td>JS</td> </tr> <tr> <td>CEQA</td> <td>6/1/2023</td> <td><input checked="" type="checkbox"/> Y</td> <td>MO</td> </tr> <tr> <td>Procurement</td> <td>6/1/2023</td> <td><input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond</td> <td>BG</td> </tr> <tr> <td>Guest Experience</td> <td>5/31/2023</td> <td><input checked="" type="checkbox"/> Y</td> <td>TB</td> </tr> <tr> <td>Strategic Planning</td> <td>5/31/2023</td> <td><input checked="" type="checkbox"/> Y</td> <td>BNZ</td> </tr> </tbody> </table>	Reviewed for/by	Date	Approval Status	By	Finance	6/5/2023	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS	CEQA	6/1/2023	<input checked="" type="checkbox"/> Y	MO	Procurement	6/1/2023	<input type="checkbox"/> Y <input checked="" type="checkbox"/> Cond	BG	Guest Experience	5/31/2023	<input checked="" type="checkbox"/> Y	TB	Strategic Planning	5/31/2023	<input checked="" type="checkbox"/> Y	BNZ	
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SUBJECT

Request to approve the proposed Third Amendment to the Terminal Facilities Lease and License Agreement with Air Canada (LAA-8965) to provide rent credits, not to exceed \$154,000, for costs associated with the use of the baggage system by common use airlines located in Terminal 6 at Los Angeles International Airport; to add language to update the lease provisions that govern the use of preferential use gates; and to extend the term of the lease by four and a half years, from June 30, 2023 to December 31, 2027, to be co-terminus with the Alaska Airlines Lease.

RECOMMENDATIONS

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f and Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
3. APPROVE the proposed Third Amendment to the Terminal Facilities Lease and License Agreement LAA-8965 with Air Canada.
4. FUTHER APPROVE authority to issue rent credits in an amount not to exceed \$154,000 over the remaining term of Terminal Facilities Lease and License Agreement LAA-8965.

5. AUTHORIZE the Chief Executive Officer, or designee, to execute the proposed Third Amendment to the Terminal Facility Lease and License Agreement LAA-8965, after approval as to form by the City Attorney and approval by the Los Angeles City Council.

DISCUSSION

1. Purpose

Staff request approval of the proposed amendment to provide rent credits to Air Canada up to \$154,000 through December 31, 2027, for the costs incurred operating and maintaining portions of the baggage system in Terminal 6 that are used by common use airlines. Approval of this action, and two other simultaneous requests to amend Southwest Airlines' Lease and Alaska Airlines' Lease, is a critical component for Los Angeles World Airports (LAWA) to implement a single common use gate charge at Los Angeles International Airport (LAX). In addition, the proposed amendment will extend Air Canada's Lease to be co-terminus with Alaska Airlines' Lease, who also operates in Terminal 6, and update the lease provisions that govern use of preferential use gates.

2. Prior Related Actions/History of Board Actions

- **April 6, 2017 – Resolution No. 26206 (LAA-8965)**
The Board of Airport Commissioners (Board) approved a Terminal Facility Lease and License Agreement with Air Canada to facilitate the airline's relocation from Terminal 2 to Terminal 6.
- **April 25, 2020 – Resolution No. 26996 (LAA-8965A and LAA-8748A)**
The Board approved a Letter Agreement for a deferral of the payment of terminal rental, terminal use, and airfield fee under Non-Exclusive Air Carrier Operating Permits, and all Terminal Lease and License Agreements, due in the months of April and May 2020; the Board further approved a suspension of all gate utilization calculations and/or requirements in the Terminal Lease and License Agreements during the months of April and May 2020.
- **June 17, 2021 – Resolution No. 27282 (LAA-8965B)**
The Board approved the Second Amendment to Terminal Facility Lease and License Agreement (LAA-8965B) with Air Canada to extend the term by two years to cover space in Terminal 6 at LAX.

3. Background

Airlines operating at LAX pay for use of terminal facilities pursuant to the rates and charges methodology under the Los Angeles International Airport Passenger Terminal Tariff (the "Rate Methodology") approved by the Board. The Rate Methodology provides a square foot rate Terminal Building Charge for demised premises and sets common use rates for common use areas and equipment, such as common use check-in counters, baggage claim areas, outbound baggage systems, common use hold rooms and associated aeronautical equipment.

Airlines that lease entire terminals at LAX, pay for all terminal space in their lease at the square foot rate Terminal Building Charge, and therefore do not pay common use rates in their leaseholds, except when they use common use facilities in addition to their leasehold

space. Los Angeles World Airports maintains the common use equipment at the Tom Bradley International Terminal, which is used by most common use airlines. However, there is a small amount of equipment that is used by common use airlines that operate from Terminal 6 and Terminal 1 that currently is maintained by Air Canada, Alaska Airlines, and Southwest Airlines. Therefore, common use airlines that operate in Terminal 6 and Terminal 1 pay some fees to LAWA, and also pay fees to Air Canada, Alaska Airlines, or Southwest Airlines to cover costs they incur maintaining and operating parts of the baggage system equipment in Terminal 6 and Terminal 1. Therefore, common use charges vary by terminal and common use airlines utilizing different terminal facilities pay different rates depending on the location where they operate.

4. Current Action/Rationale

Los Angeles World Airports' terminal rate structure intends that common use airlines will pay a uniform common use rate for use of terminal gates and common equipment, such as the baggage handling system, regardless of the terminal in which they operate. To establish a uniform common use rate, LAWA proposes to transfer all costs for maintaining common use equipment to LAWA. To accomplish this, LAWA proposes to amend the Air Canada Lease, the Alaska Airlines Lease, and the Southwest Airlines Lease simultaneously to provide rent credits equal to the costs they incur operating and maintaining the common use portions of the baggage system in Terminal 6 and Terminal 1. As a result, the common use airlines will pay LAWA the full common use charge and no longer pay Air Canada, Alaska Airlines, and Southwest Airlines a portion of the common use fee.

To confirm the cost that needs to be transferred to LAWA, at the beginning of each fiscal year, Air Canada, Alaska Airlines, and Southwest Airlines will submit to LAWA the annual budget to operate and maintain their respective baggage handling systems. Allowable costs will include all fees incurred operating and maintaining the system, the cost to lease the baggage handling space, and overhead costs (not to exceed 10 percent). Los Angeles World Airports will review and approve the operations and maintenance budgets and determine the amount attributable to common use fees. Based on this calculation, LAWA will issue annual rent credits in 12 monthly installments to Air Canada, Alaska Airlines, and Southwest Airlines. Los Angeles World Airports will annually reconcile actual costs against the annual budget costs. Any variance between budget and actual expenditures will be corrected the following year through adjustment to the annual rent credit LAWA provides to these airlines.

Based on the specific equipment maintained by Air Canada, LAWA and Air Canada estimate the total rent credits needed to cover the cost incurred by common use airlines over the term of the lease will be \$154,000. Therefore, the proposed amendment will provide up to \$154,000 in rent credits to Air Canada.

The proposed Third Amendment also will extend the Air Canada lease from June 30, 2023, to December 31, 2027, to be co-terminus with the Alaska lease. This is recommended to align the contracts for maintenance of the baggage system between Air Canada and Alaska, which will provide consistency for calculating the proposed rent credits.

Finally, the proposed amendment will also update standards for Air Canada's use of preferential use gates. All airlines with leases at LAX have preferential gates. To maintain effective use of these gates, the leases set a standard use requirement that airlines must achieve to retain their preferential use gate status. The standard used is the Minimum

Utilization Requirement (MUR). The original MUR language was drafted in the late 2000s, and LAWA has updated the language to clarify when and how the MUR is set and to simplify the actions necessary if an airline falls below the required performance levels. Los Angeles World Airports will update the MUR language in exchange for airline requests for an extension of term or other benefit.

Therefore, as this lease is being extended by 4.5 years, the proposed amendment will include the new MUR language. However, because Air Canada is the first airline to accept the new MUR language, the new MUR will not be effective until at least one other airline amends its lease to include the new standard.

How This Action Advances a Specific Strategic Plan Goal and Objective

This action advances this strategic goal and objective: *Sustain a Strong Business: Diversify and grow revenue sources, and manage costs.* The proposed amendment will allow LAWA to retain control of rate setting for the common use airlines at LAX, to harmonize the common use rates across all facilities, and to apply mitigations measures as part of the Airline Cost Stabilization and Recover Plan. Establishing equalized common use rates facilitates the relocation of airlines from terminal-to-terminal that enables growth in aviation activity.

5. Fiscal Impact

Approval of this amendment will result in an authority not to exceed \$154,000 of rent credits over the remaining term of the lease. Alaska and Air Canada rent credits will be recovered through the uniform common use baggage claim and outbound system fees, where applicable.

6. Alternatives Considered

- ***Take No Action***

Alternatives were not considered because the baggage system that is used by the common use airlines is located in Air Canada's Demised Premises. Therefore, appropriating funds for the Air Canada demised premises and operations and maintenance costs on behalf of the common use carriers for continued operations from Terminal 6 is necessary.

APPROPRIATIONS

No appropriation of funds is required for this action.

STANDARD PROVISIONS

1. The issuance of permits, leases, agreements, gate and space assignments, and renewals, amendments or extensions thereof, or other entitlements granting use of existing airport facilities or its operations is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines. In addition, pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines, continuing administrative, maintenance and personnel-related activities are also exempt.

2. The proposed document(s) is/are subject to approval as to form by the City Attorney.
3. 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.
4. Air Canada is required to comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances.
5. Air Canada This action is statutorily exempt from the provisions of the Minority/Women Business Enterprise Program pursuant to Executive Directive 2001-26.
6. Air Canada is required to comply with the provisions of the Affirmative Action Program.
7. Air Canada has been assigned Business Tax Registration Certificate No. 0002762201-0001-0.
8. Air Canada is required to comply with the provisions of the Child Support Obligations Ordinance.
9. Air Canada must have approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports prior to execution of the Lease.
10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. Air Canada has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and comply with the provisions of the Contractor Responsibility Program.
12. Air Canada has been determined by Public Works, Office of Contract Compliance, to be in compliance with the provisions of the Equal Benefits Ordinance.
13. Air Canada will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX jobs.
14. This action is not subject to the provisions of Bidder Contributions CEC Form 55.
15. This action is not subject to the provisions of MLO Bidder Contributions CEC Form 50.
16. This action is not subject to the provisions of the Iran Contracting Act.

**THIRD AMENDMENT
TO
THE TERMINAL FACILITIES LEASE AND LICENSE AGREEMENT**

THIS THIRD AMENDMENT TO THE TERMINAL FACILITIES LEASE AND LICENSE AGREEMENT (this "Third Amendment") is made as of _____, 2023 ("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 (the "Landlord"), and AIR CANADA, as tenant and licensee (the "Tenant") and shall be effective on the last day of the month following Los Angeles City Council approval of this Third Amendment.

RECITALS

WHEREAS, the Tenant and the Landlord entered into a Terminal Facilities Lease and License Agreement dated April 26, 2017 (LAA-8965) (the "Original Lease"), a Letter Amendment dated April 25, 2020 (LAA-8965A)(the "Letter Amendment") and a Second Amendment dated August 17, 2021 (LAA-8965B)(the "Second Amendment," and together with the Original Lease and Letter Amendment, the "AC Lease"); and

WHEREAS, the Tenant currently provides maintenance and operating services for certain of the Landlord's equipment located inside the Tenant's Demised Premises which equipment is used for the Tenant's operations as well as other airlines as outlined in the Scope of Work attached hereto as Schedule 1-A; and

WHEREAS, the parties agree the Tenant should continue providing the Services as the equipment is primarily located inside its Demised Premises, and because the Services are for common use equipment, the Landlord should compensate the Tenant for providing such services to other airlines and directly charge the airlines utilizing such common use equipment.

NOW, THEREFORE, in consideration of the mutual agreements contained in this Third Amendment, the Landlord and the Tenant agree with each other as follows (certain terms used in this Third Amendment and not defined elsewhere in the text of this Third Amendment, are used with the meanings specified in the AC Lease):

1. The termination date in Section 1.1.1 of the AC Lease shall be amended such that "June 30, 2023" shall be replaced with "December 31, 2027."

2. Section 1.2.2(b) of the AC Lease shall be amended and restated in its entirety as follows:

"(b) On the Third Amendment Effective Date, the Demised Premises as described and delineated in Exhibit A-2 shall be replaced with the amended Exhibit A-2 attached to the Third Amendment to the Lease."

3. Section 3.9.2 of the AC Lease shall be amended and restated in its entirety

as follows:

“3.9.2. Tenant’s Records. The Landlord’s accurate calculation of the Base Rent, additional rent, the verification of the Tenant’s expenses under Section 9.1.4 [common use equipment maintenance and operation] and the Landlord’s verification of the Tenant’s gate utilization 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 reasonably necessary or useful in calculating the Base Rent, additional rent, Common Use Equipment M&O Fee and gate utilization 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 to the extent necessary to substantiate charges to other tenants of the Terminal, 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.”

4. A new Section 9.1.4 shall be added to the AC Lease after Section 9.1.3 as follows:

“9.1.4. Services for Common Use Equipment

9.1.4.1. With respect to maintenance and operating services (each a “Service” and collectively the “Services”) for certain of the Landlord’s equipment located inside the Tenant’s Demised Premises which equipment is used for the Tenant’s operations as well as other airlines as outlined in the Scope of Work attached hereto as Schedule 1-A (“Scope of Work”), the Tenant has provided a plan for providing the Services to the Landlord. It is expressly understood and agreed that the Tenant shall perform, or cause its approved subcontractors to perform, all incidental work required to satisfactorily perform the Services, including work not specifically defined or described in Schedule 1-A attached hereto in order to fulfil the intent of Schedule 1-A attached hereto. All such incidental work shall not be considered extra work for which additional compensation can be claimed by the Tenant.

9.1.4.2. The Tenant’s performance of the Services shall conform to the highest level of industry standards, performance specifications, service level agreement or other standards for the performance of similar services as set forth by the Landlord.

9.1.4.3. The Tenant may be required to submit maintenance records and schedules to the Landlord in such form and frequency as determined by the CEO.

9.1.4.4. The Tenant will be obligated to participate in the process that may be established by the Landlord to coordinate with common use airlines and the Landlord on the operation and maintenance of aeronautical equipment at the Airport and the Tenant's performance of the Services.

9.1.4.5. If subcontractors require space at the Airport to perform the Services required under this Section 9.1.4, and such space requirement is approved by the CEO, then such subcontractors shall occupy space under the terms of a separate agreement with the Landlord. However, the Tenant can provide space at the Airport within the Tenant's Demised Premises under this Lease for subcontractors to perform the Services. Neither the Tenant nor its subcontractors shall receive any reimbursement for the costs incurred for the use of space by subcontractors at the Airport. Instead, the costs for space that are applicable to perform the Services under this Lease shall be included in the amounts the Tenant invoices the Landlord pursuant to Section 9.1.4.7 hereof.

9.1.4.6. Schedule 1-B attached hereto lists the Tenant's current subcontracts related to maintenance and operating services under this Lease. The Tenant may only change the hourly rates under the subcontracts with prior written approval by the CEO, not to be unreasonably withheld, conditioned or delayed. The Tenant may, with prior written approval by the CEO, not to be unreasonably withheld, enter into additional subcontracts to perform portions of the Services. The Tenant's request for entering into a new subcontract shall be submitted in writing to the Landlord at least sixty (60) days prior to execution that describes the scope of work to be contracted, the name of the proposed subcontractor and the proposed total price or hourly rates for the subcontractor's services. The Tenant shall remain solely responsible to Landlord for the quality and performance of all subcontractors' services. The Tenant may, upon advance written notice to Landlord, extend, terminate and replace the services of any subcontractor, subject in all cases to the prior written approval of the CEO, not to be unreasonably withheld, conditioned or delayed. Every subcontract or agreement of any kind entered into between the Tenant and any subcontractor shall contain, or subcontractor shall otherwise provide in a form acceptable to the City Attorney, appropriate language whereby subcontractor, without creating any contractual obligation on the part of the Landlord to the subcontractor or anyone working under contract to subcontractor, accepts and agrees to be bound by the obligations of this Lease pertaining to indemnification, insurance, accounting records, and audit, and agrees to include in its contracts with its subcontractors a contingent assignment of its contract to the Landlord, or its designee, effective only upon written acceptance by the Landlord or its designee. The Tenant shall use reasonable commercial efforts to obtain at least three (3) bids in a subcontractor procurement process and will include this information in its approval request to the CEO for hiring a subcontractor.

9.1.4.7. Subject to Section 9.1.4 hereof, the compensation to the Tenant for the Services shall not exceed One Hundred Fifty-Four Thousand Dollars (\$154,000) for the term of the Lease. The Landlord shall pay the Tenant for its performance under this Section 9.1.4 in rental credits ("Common Use Equipment M&O Fee") in accordance with

the process outlined in the Invoicing for Payment of Services attached hereto as Schedule 1-C and the Budget Schedule attached hereto as Schedule 1-D, which Budget Schedule will be updated annually in accordance with Schedule 1-D.

9.1.4.8. As more particularly described in Schedule 1-C, based on the Lease Year Budget Schedule which includes the proposed cost for the Services for a 12 month period ("Lease Year Services Budgeted Cost"), the Landlord shall pay to the Tenant every month a Common Use Equipment M&O Fee that is 1/12 of the pro rata share of the Lease Year Services Budgeted Cost. At the end of each Lease Year, the Tenant shall provide the total 12-month actual out of pocket costs incurred to provide the Services ("Actual Expenses") for the applicable Lease Year period. In addition, the Tenant must submit all supporting documentation/backup for both the Tenant and its subcontractors, including, but not limited to: subcontractor invoices with all supporting backup, employee time sheets, part purchase and receipt logs and invoices, and proof of payments to subcontractors. Within 60 days of the close of the Lease Year, the Landlord shall recalculate the Common Use Equipment M&O Fee on the basis of Actual Expenses incurred after reviewing supporting documentation and shall determine the amount of any overpayment (debit) or underpayment (credit) due to or from the Landlord. Any resulting credit will be issued to the Tenant, and any resulting debit will be invoiced to and payable by the Tenant.

9.1.4.9. The Tenant shall not include in the Actual Expenses Services deemed unsatisfactory by the Landlord. The CEO shall make the final determination as to when Services or any part thereof have been satisfactorily performed or completed to justify inclusion in the Actual Expenses under this Section 9.1.4. If the CEO reasonably determines that a Service has not been satisfactorily performed or completed, the CEO shall provide a written notice to the Tenant of such determination. Upon receipt of such written notice, the Tenant and the Landlord shall work together to find a mutually agreeable solution such that the CEO will be able to determine that such Service has been satisfactorily performed or completed. If the Tenant and the Landlord are unable to find a mutually agreeable solution, the CEO shall make the final determination as to how such Service can be satisfactorily performed or completed.

9.1.4.10. If a necessary change causes an increase in the Scope of Work or the Services, the Parties shall agree upon additional compensation, if any, to be paid to the Tenant therefor, and this Lease shall be amended, in writing, prior to the performance by the Tenant of said increased Scope of Work or Service, subject to approval by the Board and City Council.

9.1.4.11. The Tenant shall not include in the Actual Expenses any amount that the Tenant does not intend to pay to a subcontractor because of a dispute or for any other reason. The Tenant shall perform a complete and thorough review of the supporting documentation for the Actual Expenses for accuracy and completeness prior to submitting to the Landlord. The submittal of the supporting documentation for the Actual Expenses constitute a representation by the Tenant to the Landlord that to the Tenant's actual knowledge, after due inquiry and investigation, the Services covered by the request have

been performed and the costs were incurred in accordance with the applicable requirements of this Lease.

9.1.4.12. In the event of any good faith dispute as to whether a particular payment or a portion of a particular payment is owed or not owed by the Landlord to the Tenant under this Section 9.1.4, the Landlord shall have the right to do either of the following: (i) make all or part of such disputed payment to the Tenant without prejudice to Landlord's right to contest the amount so paid; or (ii) withhold all or a portion of such disputed payment. In either case, Landlord shall so notify the Tenant in writing of the reasons therefor. From and after the Tenant's receipt of such notice, the Landlord and the Tenant shall use their good faith efforts to resolve their dispute as quickly as practicable under the circumstances. If the Landlord has given such notice, the Tenant shall not be entitled to terminate this Lease or suspend its Services hereunder on account of such non-payment, provided Landlord remits to the Tenant all undisputed sums. If Landlord chooses to withhold payments under Clause (ii) above and if it is subsequently determined that Landlord owes an additional payment to the Tenant, the Landlord shall pay such amount to the Tenant. If Landlord chooses to proceed under Clause (i) above and it is subsequently determined that Landlord overpaid the Tenant, the Tenant shall refund to Landlord the amount of such overpayment.

9.1.4.13. The Tenant agrees to offer the Landlord any discount terms that are offered to the Tenant's best customers for the Services to be provided herein, and apply such discount to payments made under this Section 9.1.4 which meet the discount terms."

5. The following paragraph shall be added at the end of Section 19.3.1 of the AC Lease as follows:

"The Tenant acknowledges that the Landlord intends to adopt new, Airport-Wide Scheduling Protocols governing Common-Use Gates and Preferential-Use Gates at the Airport and that such Airport-Wide Scheduling Protocols, when issued, will supersede all other gate use protocols at the Airport including the T6 Scheduling Protocols. However, the Landlord acknowledges that, where there is a conflict, the Airport-Wide Scheduling Protocols will continue to be subordinate to the Lease.

The Landlord anticipates that Airport-Wide Scheduling Protocols will contain the provisions in Exhibit E-3 which will require airlines seeking to make material changes to their existing leases to provide the Landlord with the accommodation rights on Preferential Use Gates specified in Exhibit E-3.

The Tenant agrees that if any airline other than the Tenant (a) enters into or (b) amends its lease with the Landlord to include the provisions in Exhibit E-3, that the Tenant and the Landlord will immediately amend the Lease to implement the accommodation rights in Exhibit E-3."

6. Section 19.8 of the AC Lease shall be deleted in its entirety and replaced with the following (and the Landlord agrees to use good faith efforts to incorporate

similar provisions in long-term leases of other airlines tenants, as those leases are amended, extended or renegotiated):

“19.8.1. In order to maintain its rights to Preferential-Use Gates in the Terminals, the Tenant must meet the following Minimum Utilization Requirement: the Tenant’s Average Gate Utilization for Seats for all of its Preferential-Use Gates must be at least 95% of the Average Gate Utilization for Seats for all Preferential-Use Gates at the Airport over the past twelve months based on actual Departing Flights as of the day that the Landlord decides in its reasonable discretion to measure the Tenant’s activity and apply the Minimum Utilization Requirement. In calculating the Minimum Utilization Requirement, the Landlord will include the activity of the Tenant’s ground handled airlines, alliance partner airlines, the Landlord approved affiliates, and the Tenant’s approved subtenants and will exclude the activity of any airline that is accommodated through the Landlord’s rights to schedule on the Tenant’s Preferential-Use Gates or require accommodations on such gates. Any gate that has not been assigned to the Tenant as a Preferential-Use Gate for the full twelve-month review period will not be included in calculating the Tenant’s Average Gate Utilization.

19.8.2. If at any time the Tenant fails to meet the Minimum Utilization Requirement, the Landlord may, in its sole discretion, recapture one or more of the Tenant’s Preferential-Use Gates.

19.8.3. The Landlord shall have the right to recapture, in its sole discretion, up to the number of Preferential-Use Gates that would bring the Tenant into compliance with the Minimum Utilization Requirement. If the Landlord elects to recapture Preferential-Use Gates, the Landlord shall provide the Tenant with 90 days’ written notice specifying the initial number and proposed location of the gate(s) to be recaptured (“Recapture Notice”).

19.8.4. If requested by the Tenant within 10 days of the Landlord’s issuance of the Recapture Notice, the Landlord will discuss alternative locations for the recaptured gate(s) with the Tenant.

19.8.5. The Landlord will make the final determination on the location of the recaptured gates in its sole discretion within 30 days of issuing the Recapture Notice and issue Tenant a revised Exhibit E-1 reflecting the recaptured gates to be effective no earlier than 90 days after the Landlord issues the Recapture Notice (“Effective Date of Recapture”). In making the final decision, the Landlord will take the following factors into account: (a) minimizing split operations and maximizing adjacency of Preferential-Use Gates and Common Use Gates; (b) the location of the operational space of airlines that may use the recaptured gate; (c) the efficient operation of airline schedules; (d) the Tenant’s stated preference in the discussion with the Landlord under Section 19.8.4, if any; and (e) the Airport passenger experience.

19.8.6. The Tenant shall be responsible for removing its proprietary gate equipment from any recaptured Preferential-Use Gates at the Tenant’s sole cost by the

Effective Date of Recapture. If the Tenant has not completely removed its proprietary gate equipment by the Effective Date of Recapture, the Landlord shall have the right, without notice to the Tenant, to remove any remaining proprietary gate equipment at the Tenant's sole cost. The Landlord shall be responsible for installing common use equipment on any recaptured gates at the Landlord's sole cost.

19.8.7. In the event that the Tenant fails to meet the Minimum Utilization Requirement, the Tenant shall lose all Preferential Flight rights designated to the Tenant under Section 19.11 and pursuant to any Preferential Flight Protocols in the Airport-Wide Protocols that are currently in place or may be issued during the term of the Lease.

19.8.8. The Tenant agrees that if any airline other than the Tenant a) enters into or b) amends its lease with the Landlord to update the Minimum Utilization Requirement for preferential-use gates ("Updated MUR"), that the Tenant and the Landlord will immediately amend the Lease to revise the Tenant's Minimum Utilization Requirement for preferential-use gates so that it is substantially identical to the "Updated MUR."

7. The following new or revised definitions shall be added to Section 24 of the AC Lease as follows:

"Actively Loaded" means that period of time that commenced (a) 30 minutes prior to the scheduled departure time for aircraft having a number of seats equal to or less than 99, (b) 45 minutes prior to the scheduled departure time for aircraft having 100 seats or more but less than 175 seats, (c) 60 minutes prior to the scheduled departure time for aircraft, other than international Departing Flights, having 175 seats or more, (d) 75 minutes prior to the scheduled departure time for an international Departing Flight using aircraft having 175 seats or more but less than 350 seats, or (e) 90 minutes prior to the scheduled departure time for an international Departing Flight using aircraft having 350 seats or more, and that expired, regardless of aircraft size, 15 minutes after the scheduled departure time of the aircraft, or such other time periods as may be established from time to time by the CEO in his or her sole discretion.

"Average Gate Utilization" means the average number of Departing Seats per Preferential Use Gate per day for any given cohort of Preferential Use Gates over a specified period of time.

"Departing Flights" means a scheduled revenue aircraft operation Actively Loaded at the Terminal that departs from the Airport.

"Effective Date of Recapture" means the date that the recapture of any Preferential Use Gates by Landlord in accordance with Section 19.7 will be effective.

"Minimum Utilization Requirement" means the minimum activity levels specified in Section 19.8.

“Preferential Flights” means a scheduled flight by Tenant that Landlord prioritizes over the flights of other passenger carriers when scheduling flights on Common Use Gates.

“Recapture Notice” means the notice provided by Landlord to Tenant for the recapture of Preferential Use Gates in accordance with Section 19.8.

“Seats” means a seat on an aircraft arriving or departing from the Airport other than those seats reserved in the flight deck or aircraft cabin for members of the flight crew.

“Third Amendment Effective Date” means the date the Third Amendment to the Lease is effective.

8. Miscellaneous.

8.1. It is understood and agreed by and between the parties that, except as specifically provided herein, this Third Amendment shall not, in any manner, alter, change, modify or affect any of the rights, privileges, duties or obligations of either of the parties under the AC Lease and except as expressly amended herein, all of the terms, covenants and conditions of the AC Lease shall remain in full force and effect.

8.2. This Third Amendment shall be binding upon the parties hereto and their respective heirs, personal representatives, successors and assigns.

8.3. This Third Amendment and any other document necessary for the consummation of the transaction contemplated by this Third Amendment may be executed in counterparts, including counterparts that are manually executed and counterparts that are in the form of electronic records and are electronically executed. An electronic signature means a signature that is executed by symbol attached to or logically associate with a record and adopted by a party with the intent to sign such record, including facsimile or e-mail signatures. All executed counterparts shall constitute one document, and each counterpart shall be deemed an original. The parties hereby acknowledge and agree that electronic records and electronic signatures, as well as facsimile signatures, may be used in connection with the execution of this Third Amendment and electronic signatures, facsimile signatures or signatures transmitted by electronic mail in so-called PDF format shall be legal and binding and shall have the same full force and effect as if a paper original of this document had been delivered that had been signed using a handwritten signature. All parties to this Third Amendment (i) agree that an electronic signature, whether digital or encrypted, of a party to this Third Amendment to authenticate this writing and to have the same force and effect as a manual signature; (ii) intend to be bound by the signatures (whether original, faxed, or electronic) on any document sent or delivered by facsimile or electronic mail or other

electronic means; (iii) are aware that the other party(ies) will rely on such signatures; and, (iv) hereby waive any defenses to the enforcement of the terms of this Third Amendment based on the foregoing forms of signature. If this Third Amendment has been executed by electronic signature, all parties executing this document are expressly consenting, under the United States Federal Electronic Signatures in Global and National Commerce Act of 2000 ("E-SIGN") and the California Uniform Electronic Transactions Act ("UETA") (California Civil Code §1633.1 et seq.), that a signature by facsimile, e-mail, or other electronic means shall constitute an Electronic Signature to an Electronic Record under both E-SIGN and UETA with respect to this specific transaction.

[Remainder of page intentionally left blank; Signature Page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Third Amendment by their duly authorized officers the day and year first hereinabove written.

CITY OF LOS ANGELES,
A MUNICIPAL CORPORATION

AIR CANADA

Date: _____

Date: June 6, 2023

By: _____
Chief Executive Officer
Department of Airports

By: [Signature]
Name: _____
Title: AMOS S. KAZAZ
Executive Vice President and Chief Financial Officer

Carolyn M. Hadrovic

APPROVED AS TO FORM:
Hydee Feldstein Soto, City Attorney

ATTEST: Carolyn M. Hadrovic
Vice President and Corporate Secretary

Date: _____

Date: June 6, 2023

By: _____
Deputy/Assistant City Attorney

By: [Signature]
Name: CARMELO FERRARO
Title: EXECUTIVE ASSISTANT

SF
June 5, 2023
AC Legal

MP

[Signature Page to Third Amendment to Terminal Facilities Lease and License Agreement]

SCOPE OF WORK
Schedule 1-A

OVERVIEW:

This exhibit begins with a summary of the services that Air Canada shall provide through its employees or through approved Service Providers on behalf of Los Angeles World Airports ("LAWA") pursuant to the Agreement between the City of Los Angeles and Air Canada for Providing Equipment Maintenance Services at Los Angeles International Airport ("Agreement").

The section entitled "Subcontractor Services Provided" in this exhibit is intended to be a summary of the scope contained in the Air Canada contracts listed in the table below. All work performed must adhere to the standards of those contracts and the terms of this Agreement. Air Canada shall be and remain solely responsible to LAWA for the quality and performance of all subcontractors' services.

AIR CANADA MANAGEMENT OBLIGATIONS:

Air Canada will provide the services to LAWA as defined in this Scope of Work. Air Canada will provide these services by means of procurement of subcontracted service providers who will be subsequently managed by Air Canada. These service providers and their scopes are listed and defined below. Air Canada shall procure these service providers in accordance with LAWA's guidelines, and in compliance with all applicable local and federal regulations, via a competitive bid process in which all elements of scope, staffing, pricing, compliance, performance, and management will be evaluated. Air Canada will assume responsibility for oversight and management of all such subcontracted service providers and will govern all elements of contract execution including the operational and financial performance of each party.

SUBCONTRACTOR SERVICES PROVIDERS:

A-1 BROCK SOLUTIONS

Terminals	Contract #	Effective date	End date
Terminal 6	QTL10800	June 8, 2022	June 8, 2027
<p>Scope Summary –</p> <ul style="list-style-type: none"> - All upper-level systems and lower-level systems <p>Overview of Support Services</p> <p>Brock Solutions' Support service offerings include elements in each of the following key areas, many of which are part of the Information Technology Infrastructure Library (ITIL) service management framework:</p> <ul style="list-style-type: none"> - Incident management - Cybersecurity and IT management - Monitoring and live analytics - Reporting - Change management - Life cycle management - Onsite support services <p>Service included</p> <ul style="list-style-type: none"> - 24/7 Help Desk – access - Support portal and telephone access - Guaranteed response times - Remote troubleshooting - Root cause analysis and hot fixes - Incident reporting - Patching services 			

- AV updates
- Proactive operational health checks (annually)
- Annual disaster recovery validation
- Follow customer and/or Brock change management procedures

A-2 DAIFUKI (ELITE LINE SERVICES)

Terminals	Contract #	Effective date	End date
Terminal 6	DAIFUKU (Elite Line Services) / Amendment 12-0001-03	4/1/2019	4/1/2024
Scope O&M on checked baggage inspection system (CBIS), baggage handling systems (BHS), and related systems <ul style="list-style-type: none"> - Operations and maintenance for T6 baggage handling systems, sort piers, bag claim, carousels, oversize belts - Supply, maintain and operate upper-level controls system and associated servers, computers, components and technical support services for baggage handling systems - Configure and maintain a computerized maintenance system (CMMS) for parts and labor - Procure and maintain a parts inventory for all contracted equipment 			

A-3 AVAIRPROS SERVICES – GENERAL MANAGER (LAX6)

Terminals	Contract #	Effective date	End date
Terminal 6	03052020	10/20/2022	10/20/2027
Scope Summary – <ul style="list-style-type: none"> - Management of all maintenance contracts 			

**SCOPE OF SERVICES
SUMMARY**

SCHEDULE 1-C Invoicing for Payment for Services

Overview

[AIRLINE] must submit to the City a request for payment on a monthly basis for Services rendered and expenses incurred and paid by [AIRLINE] in the performance of the obligations of this Agreement during that month. City will pay [AIRLINE] monthly (i) the amounts [AIRLINE] paid approved Subcontractors for the work invoiced by approved Subcontractors and (ii) overhead(a) expenses in the amount of [\$___] per month during the first 12 months of the Agreement.

Overhead for each subsequent 12 month period will be established using an annual budget and prior year reconciliation process, where [AIRLINE] will submit to the City a draft budget 45 days ahead of the end of the contract year that will be reviewed by the City, further modified by [AIRLINE] to address any comments, and approved by the City. In addition, the prior 12 month overhead amount will be reconciled to the budget by the City based on [AIRLINE'S] actual expenses and variances will be corrected by adjusting the following year overhead expense amount. Notwithstanding the above, [AIRLINE'S] overhead may not exceed ten percent (10%) of [AIRLINE] actual direct expenses billed to the City unless approved by the City.

Note:

(a) [AIRLINE] overhead means the reasonable general and administrative overhead costs of [AIRLINE] in connection with this agreement, including the following: (i) labor costs of [AIRLINE] employees (including salaries, wages, bonuses, medical, fringe benefits, severance and sick day payments and social security and payroll taxes) except for labor of [AIRLINE] employees providing direct services to LAWA pursuant to the Scope of Work (Attachment A-I); (ii) [AIRLINE'S] cost of general corporate administration, if any, including the cost of administrative office equipment, office utilities, permits, licenses, professional accounting and auditing services, professional legal services incurred in the ordinary course of business (which does not include any litigation costs against City or other extraordinary legal costs), state and federal income, business and franchise taxes; and (iii) insurance premiums payments in connection with this agreement.

SCHEDULE [1-C]
[AIRLINE] Service Invoice Summary
For [Month, Year]

Bill To:
Los Angeles World Airports
1 World Way , 2nd Floor
Los Angeles, CA 90045
Attn: [NAME]

Remit To:
[AIRLINE]
FILE [TBD]
Los Angeles, CA 90074-6416
Attn: [NAME]

Invoice No.: [#]
Invoice Date: [MONTH/DAY/YEAR]

Category	Support Page(s)	[Calc]	Amount
Service Vendor A			
Outbound Baggage System			
Fixed Costs	Wk. 1		\$ 50,000.00
Time and Materials	Wk. 2		150,000.00
Parts	Wk. 3		11,500.00
Other Reimbursements ^(a)	Wk. 4		5,000.00
Total Outbound Baggage System		[A]	\$ 216,500.00
Baggage Claim			
Fixed Costs			\$ 50,000.00
Time and Materials			30,000.00
Parts			-
Other Reimbursements ^(a)			-
Baggage Claim System		[B]	\$ 80,000.00
Passenger Boarding Bridges			
Fixed Costs			\$ 50,000.00
Time and Materials			-
Parts			20,000.00
Other Reimbursements ^(a)			-
Total Passenger Boarding Bridges		[C]	\$ 70,000.00
Total Service Vendor A		[D=A+B+C]	\$ 366,500.00
Service Vendor B			
Outbound Baggage System			
Fixed Costs			\$ 50,000.00
Time and Materials			-
Parts			10,000.00
Other Reimbursements ^(a)			-
Total Outbound Baggage System		[E]	\$ 60,000.00

SCHEDULE [1-C]
[AIRLINE] Service Invoice Summary
 For [Month, Year]

Bill To:
 Los Angeles World Airports
 1 World Way , 2nd Floor
 Los Angeles, CA 90045
 Attn: [NAME]

Remit To:
 [AIRLINE]
 FILE [TBD]
 Los Angeles, CA 90074-6416
 Attn: [NAME]

Invoice No.: [#]
 Invoice Date: [MONTH/DAY/YEAR]

Category	Support Page(s)	[Calc]	Amount
Passenger Boarding Bridges			
Fixed Costs			\$ 50,000.00
Time and Materials			-
Parts			20,000.00
Other Reimbursements ^(a)			-
Total Passenger Boarding Bridges		[F]	\$ 70,000.00
Total Service Vendor B		[G=E+F]	\$ 130,000.00
Total Monthly Invoice		[H=D+G]	\$ 496,500.00
Prior Cumulative Total		[I]	\$ 500,000.00
New Cumulative Total		[J=H+I]	\$ 996,500.00

I certify under penalty of perjury under the laws of the State of California that to the best of my knowledge and belief, the above bill/invoice is just, true and correct according to the terms of this contract, and that payment therefore has not been received.

[Name - Signature - Date]

Note:

(a) Other Reimbursements represents any other expensive or service that is eligible and approved pursuant to this agreement.

SCHEDULE [1-C-1]

**Fixed Invoice Summary
For [Month, Year]**

Bill To:
[AIRLINE]
FILE [TBD]
Los Angeles, CA 90074-6416
Attn: [NAME]

Remit To:
Vendor A
[ADDRESS]
[CITY/STATE/ZIP]
Attn: [NAME]

Invoice No.: [#]
Invoice Date: [MONTH/DAY/YEAR]

<u>Description Item</u>	<u>Month</u>	<u>Agreement #</u>	<u>Notes</u>	<u>Total</u>
Monthly Fee per Agreement	[Month]	[1234]		\$ 50,000.00
				-
				-
				-
Total Costs				<u>\$ 50,000.00</u>

I certify under penalty of perjury under the laws of the State of California that to the best of my knowledge and belief, the above bill/invoice is just, true and correct according to the terms of this contract, and that payment therefore has not been received.

[Name - Signature - Date]

SCHEDULE [1-C-2]
Time and Materials Invoice Summary
 For [Month, Year]

Bill To:
 [AIRLINE]
 FILE [TBD]
 Los Angeles, CA 90074-6416
 Attn: [NAME]

Remit To:
 Vendor A
 [ADDRESS]
 [CITY/STATE/ZIP]
 Attn: [NAME]

Invoice No.: [#]
 Invoice Date: [MONTH/DAY/YEAR]

Worker	Position	Grade #	Hourly Wage	Hours Per Timesheet	Total
A	Supervisor	824	\$ 110.00	160.00	\$ 17,600.00
B	Supervisor	824	110.00	160.00	17,600.00
C	Mechanic	610	45.00	120.00	5,400.00
D	Mechanic	611	47.00	140.00	6,580.00
E	Mechanic	611	47.00	120.00	5,640.00
F	Mechanic	611	47.00	120.00	5,640.00
G	Mechanic	611	47.00	130.00	6,110.00
H	Mechanic	611	47.00	140.00	6,580.00
I	Mechanic	611	47.00	160.00	7,520.00
J	Mechanic	611	47.00	140.00	6,580.00
K	Mechanic	611	47.00	160.00	7,520.00
L	Mechanic	611	47.00	140.00	6,580.00
M	Mechanic	611	47.00	160.00	7,520.00
N	Specialist	710	61.00	160.00	9,760.00
O	Specialist	711	62.00	150.00	9,300.00
P	Specialist	712	63.00	150.00	9,450.00
Q	Specialist	709	60.00	161.00	9,660.00
R	Specialist	711	62.00	80.00	4,960.00
Total Costs					\$ 150,000.00

I certify under penalty of perjury under the laws of the State of California that to the best of my knowledge and belief, the above bill/invoice is just, true and correct according to the terms of this contract, and that payment therefore has not been received.

[Name - Signature - Date]

SCHEDULE [1-C-2a]

Time Sheet Example

For [Month, Year]

Worker

Name: A
Position Supervisor
Pay Grade # 824
Hourly Wage \$ 110.00 [Per Approved Hourly Rates]

Day	Notes	Hourly Wage	Hours	Total
1		\$ 110.00	8.00	\$ 880.00
2		110.00	8.00	880.00
3		110.00	8.00	880.00
4		110.00	8.00	880.00
5		110.00	8.00	880.00
6		110.00		-
7		110.00		-
8		110.00	8.00	880.00
9		110.00	8.00	880.00
10		110.00	8.00	880.00
11		110.00	8.00	880.00
12		110.00	8.00	880.00
13		110.00		-
14		110.00		-
15		110.00	8.00	880.00
16		110.00	8.00	880.00
17		110.00	8.00	880.00
18		110.00	8.00	880.00
19		110.00	8.00	880.00
20		110.00		-
21		110.00		-
22		110.00	8.00	880.00
23		110.00	8.00	880.00
24		110.00	8.00	880.00
25		110.00	8.00	880.00
26		110.00	8.00	880.00
27		110.00		-
28		110.00		-
Totals			160.00	\$ 17,600.00

SCHEDULE [1-C-3]

Parts Invoice Summary

For [Month, Year]

Bill To:

[AIRLINE]

FILE [TBD]

Los Angeles, CA 90074-6416

Attn: [NAME]

Remit To:

Vendor A

[ADDRESS]

[CITY/STATE/ZIP]

Attn: [NAME]

Invoice No.: [#]

Invoice Date: [MONTH/DAY/YEAR]

Description Item	Vendor	Quantity	Note	Cost Per Item	Total
ICS Bins	ABC	50	Replacement	\$ 100.00	\$ 5,000.00
Conveyor Belt	XYZ	1	Replacement #	5,000.00	5,000.00
				-	-
				-	-
				-	-
Total Costs					\$ 10,000.00
Parts Mark-Up				15%	1,500.00
Total Costs with Mark-Up					\$ 11,500.00

I certify under penalty of perjury under the laws of the State of California that to the best of my knowledge and belief, the above bill/invoice is just, true and correct according to the terms of this contract, and that payment therefore has not been received.

[Name - Signature - Date]

SCHEDULE [1-C-3a]
Parts Invoice/Receipt Summary
 For [Month, Year]

Bill To:
 Vendor A
 [ADDRESS]
 [CITY/STATE/ZIP]
 Attn: [NAME]

Remit To:
 ABC
 [ADDRESS]
 [CITY/STATE/ZIP]
 Attn: [NAME]

Invoice No.: [#]
 Invoice Date: [MONTH/DAY/YEAR]

Description Item	Quantity	Back Order	Shipped	Cost Per Item	Total
ICS Bins	50	0	50	\$ 100.00	\$ 5,000.00
				-	-
				-	-
				-	-
Total Costs					\$ 5,000.00

RECEIVED DATE

[MONTH/DATE/YEAR]

[EMPLOYEE]

SCHEDULE [1-C-4]
Other Service Invoice Summary
For [Month, Year]

Bill To:
[AIRLINE]
FILE [TBD]
Los Angeles, CA 90074-6416
Attn: [NAME]

Remit To:
Vendor A
[ADDRESS]
[CITY/STATE/ZIP]
Attn: [NAME]

Invoice No.: [#]
Invoice Date: [MONTH/DAY/YEAR]

Description Item	Quantity	Note	Cost Per Item	Total
Special Equipment Rental	1	4 Days	\$ 1,000.00	\$ 4,000.00
Sublet Repair	1	5 hours	200.00	1,000.00
			-	-
			-	-
			-	-
Total Costs				\$ 5,000.00

I certify under penalty of perjury under the laws of the State of California that to the best of my knowledge and belief, the above bill/invoice is just, true and correct according to the terms of this contract, and that payment therefore has not been received.

[Name - Signature - Date]

SCHEDULE 1-D
Budget Schedule

Table 1
ILLUSTRATIVE AIR CANADA NOT TO EXCEED CREDIT CALCULATION FOR TERMINAL 6
 Los Angeles International Airport

	Projected			
	FY 2023	FY 2024	FY 2025	FY 2
TERMINAL FACILITIES LEASE AMENDMENT				
Baggage system costs				
Common use inbound baggage system costs	\$24,000	\$26,000	\$28,000	\$
Total	\$24,000	\$26,000	\$28,000	\$
Overhead expense estimate (a)	2,000	3,000	3,000	
Costs allocated to CU airlines including overhead expense estimate	\$26,000	\$29,000	\$31,000	\$

(a) Overhead expenses will be reconciled by the City based on Air Canada's actual expenses and variances to budget will be corrected by adjusting the following year overhead expense amount. Notwithstanding the above, Air Canada's overhead may not exceed 10% of Air Canada's actual direct expenses billed to the City.

Table 2
ILLUSTRATIVE INBOUND BAGGAGE ALLOCATIONS IN TERMINAL 6 - AIR CANADA
Los Angeles International Airport

	Ref.	Projected FY 2023
Inbound baggage system space costs		
Terminal Buildings Rate	[A]	\$226.33
Inbound baggage space (a)	[B]	5,715
Total	[C=A*B]	\$1,293,000
Inbound baggage system O&M costs (b)		
	[D]	56,000
Total inbound baggage system costs	[E=C+D]	\$1,349,000
% of inbound baggage system costs allocated on a:		
Fixed basis (c)	[F]	10.0%
Variable basis (c)	[G]	90.0%
Total		100.0%
Inbound baggage system costs allocated on a:		
Fixed basis	[H=E*F]	\$134,900
Variable basis	[I=E*G]	1,214,100
Total		\$1,349,000
Gates in Terminal 6		
Common use gates	[J]	1
Leasing airline gates	[K]	12
Total	[L=J+K]	13
<i>CU gates as % of total Terminal 6 gates</i>	[M=J/L]	7.7%
<i>Leasing airlines gates as % of total Terminal 6 gates</i>	[N=K/L]	92.3%
Domestic deplaned passengers (d)		
CU airlines	[O]	42,000
Leasing airlines	[P]	3,502,000
Total	[Q=O+P]	3,544,000
<i>CU Airlines % of Terminal 6 domestic deplaned passengers</i>	[R=O/Q]	1.2%
<i>Other airlines % of Terminal 6 domestic deplaned passengers</i>	[S=P/Q]	98.8%
Inbound baggage system costs allocated to CU airlines and credited to Air Canada		
Fixed basis	[T=H*M]	\$10,000
Variable basis	[U=I*R]	14,000
Total	[V=T+U]	\$24,000

- (a) See Table 3.
- (b) Annual amount provided by LAX6 for CY 2019 escalated based on Bureau of Labor Statistics consumer price index for all urban consumers (CPI-U) from December 2019 through June 2022, accessed November 2, 2022. See Table 4.
- (c) Assumes 10% of outbound baggage system costs are fixed and 90% of outbound baggage system costs are variable.
- (d) For illustrative purposes, domestic deplaned passengers assumed to be equal to enplaned passengers. See Table 5.

Table 3
ILLUSTRATIVE TERMINAL 6 BAGGAGE SPACE
 Los Angeles International Airport

	Projected FY 2023
ALASKA AIRLINES	
Inbound baggage space (a)	
Sheet A02-10-6B1 - part 1	5,029
Sheet A02-10-6B1 - part 2	805
Sheet A02-10-6A - carousel 2 area	5,184
Total	11,018
Outbound baggage space	
Sheet 6 space 30	200
Sheet 6 space 49	2,387
Sheet 6 space 63	929
Sheet 7 space 2	9,571
Sheet 7 space 17	4,489
Sheet 7 space 6	650
Sheet 7 space 9	10,926
Total	29,152
Alaska Airlines total	40,170
AIR CANADA	
Inbound baggage space (a)	
Sheet A02-10-6A - carousel 1 area	5,715
Air Canada total	5,715
Baggage space total	45,885

Source: LAWA Terminal 6 leased space drawing 20130006, dated 9/12/2013.
 (a) Updated based on construction drawings dated 6/17/2019.

Table 4
ILLUSTRATIVE TERMINAL 6 INBOUND BAGGAGE HANDLING SYSTEM O&M EXPENSES
 Los Angeles International Airport

	Ref.	Actual CY 2019	CPI-U escalation (a)	Projected FY 2023
Inbound baggage handling system (BHS) O&M expenses (b)	[A]	\$141,813	15.3%	\$164,000
T6 inbound baggage space (c)				
Alaska Airlines	[B]	11,018		11,018
Air Canada	[C]	5,715		5,715
Total	[D=B+C]	16,733		16,733
% of T6 inbound baggage space by airline				
Alaska Airlines	[E=B/D]	65.8%		65.8%
Air Canada	[F=C/D]	34.2%		34.2%
Portion of inbound BHS O&M expenses allocable by airline				
Alaska Airlines	[G=A*E]	\$93,378		\$108,000
Air Canada	[H=A*F]	48,435		56,000
Total	[=G+H]	\$141,813		\$164,000

(a) Escalated based on Bureau of Labor Statistics consumer price index for all urban consumers (CPI-U) from December 2019 through June 2022, accessed November 2, 2022.

(b) CY 2019 O&M expenses provided by LAX6, 11/26/2022.

(c) See Table 3.

Table 5
ILLUSTRATIVE TERMINAL 6 ENPLANED PASSENGERS
 Los Angeles International Airport

	Actual	Projected
	FY 2019	FY 2023
Terminal 6 enplaned passengers		
Common use airlines (a)	99,907	42,000
<i>% of total (a)</i>	2.4%	1.2%
Leasing airlines	4,116,414	3,502,000
<i>% of total</i>	97.6%	98.8%
Total terminal 6 enplaned passengers (b)	4,216,321	3,544,000

-
- (a) Assumes CU airlines will use T6 in FY 2023 equal to half the percentage of CU airlines enplaned passengers to total Terminal 6 enplaned passengers in FY 2019.
- (b) Terminal 6 enplaned passengers projected based on the same growth in enplaned passengers as total LAX enplaned passengers for FY 2023.

Exhibit A-2
AIR CANADA
Demised Premises

Terminal (Premises) - Terminal 6

<u>Location</u>	<u>Sheet</u>	<u>Space</u>	<u>Area (SF)</u>
T6 - Baggage Service Office - Arrivals Level			308
T6 - Ticket Counters - Departures Level			1,661
T6 - Airline Ticket Office - Departures Level			2,881
T6 - Club Mezzanine (Lounge pre Phase 2)			3,534
T6 - Ramp Operations Office - Ramp Level			1,899
T6 - Baggage Claim Area			5,715
T6 - Outbound Baggage Make-Up			4,489
T6 - Holdrooms			8,478
			<hr/>
		Total Demised Premises (SF)	28,965 *

* Subject to review upon availability of the final as-built drawings.

EXHIBIT E-3

1.1. Landlord's Right to Schedule Flights on Preferential-Use Gates.

1.1.1. **Scheduling Priority on Preferential-Use Gates and Landlord's Right to Accommodate Requesting Airlines.** Tenant shall have scheduling priority on all of its Preferential-Use Gates for all of its Active Periods with respect to its Scheduled Operations, subject to the terms of this Section 1.1. Landlord shall have the right to schedule at Tenant's Preferential-Use Gates the Scheduled Operations of a Requesting Airline during any Non-Active Periods in accordance with the procedures in this Section 1.1.

1.1.2. Submission of Seasonal Schedules.

1.1.2.1. Tenant shall submit to Landlord Initial and Final Seasonal Schedules in a format specified by the CEO.

1.1.2.2. Notwithstanding anything to the contrary set forth in this Lease, Tenant shall have a scheduling priority for Active Periods at its New Preferential-Use Gates with respect to a Scheduled Operation only if Tenant has submitted Initial and Final Seasonal Schedules that include the Scheduled Operation.

1.1.3. **Form and Timing of Request for Accommodation.** At least sixty (60) days prior to commencing a flight that a Requesting Airline cannot accommodate on its own Preferential-Use Gates, if any, a Requesting Airline shall submit a written request to Landlord with the following information: name of airline, type of aircraft, number of Seats on the aircraft, desired time of day and day of week for the flight and whether the flight requires access to FIS Areas.

1.1.4. Selection of the Gate for Accommodation.

1.1.4.1. If a Common-Use Gate is available to, in Landlord's sole judgment, reasonably accommodate the Requesting Airline's flight, Landlord will accommodate the flight on a Common-Use Gate.

1.1.4.2. If Landlord determines that a Common-Use Gate is not available to accommodate the requested flight, Landlord may seek to work with the Requesting Airline to identify an alternative time or day (as applicable) to accommodate the request on a Common-Use Gate.

1.1.4.3. If an accommodation is not reached with the Requesting Airline pursuant to Section 1.1.4.2, Landlord will determine, based on Final Seasonal Schedules in effect at the time Landlord receives a request under Section 1.1.3, whether the Requesting Airline's flight can be accommodated on a Preferential-Use Gate.

1.1.4.4. Landlord will allow the Accommodating Airline to select the specific Preferential-Use Gate at which such accommodation will occur; *provided*, however, that the Preferential-Use Gate selected by the Accommodating Airline shall be able to accommodate the size of the Requesting Airline's aircraft and, if necessary, shall provide access to FIS Areas; and *further provided*, that Landlord shall have the right to select a Preferential-Use Gate other than that

that a Requesting Airline is using to have their equipment on the ramp only during Active Periods and to remove any equipment from the ramp during Non-Active Periods.

(c) During the period of time that a Requesting Airline is using the Accommodating Airline's Preferential-Use Gate, the Accommodating Airline's indemnification of Landlord as required under its Agreement shall not extend to the use, occupancy and operations of the Requesting Airline, unless damage or injury is caused by or contributed by the Accommodating Airline, its officers, directors, employees, agents or invitees.

(d) Landlord may require the Accommodating Airline to tow aircraft from the apron area adjacent to the Accommodating Airline's Preferential-Use Gate to accommodate a Requesting Airline. Landlord shall designate an area to tow the aircraft and will make reasonable efforts to assign a reasonably convenient parking location. This obligation of the Accommodating Airline 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 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 Accommodating Airline shall receive a credit in the amount to be mutually determined based on actual costs as evidenced by third-party towing rates. In the event the Accommodating Airline fails to remove any aircraft as directed by Landlord under this subsection, then Landlord may cause the removal of such aircraft and the Accommodating Airline shall pay to Landlord (1) all costs incurred by Landlord plus a fifteen percent (15%) administrative fee. In such case, the Accommodating Airline waives any and all claims against Landlord and any of its officers, employees for any loss or damage sustained to any such aircraft, or any part thereof, by reason of such removal and (2) the Accommodating Airline shall indemnify Landlord and its officers and employees against all liability arising out of such removal of said aircraft. Nothing in this section shall impair the rights of the Accommodating Airline vis-a-vis the agent who moves the Accommodating Airline's aircraft.

Additional Definitions

Final Seasonal Schedule means the Seasonal Schedule that is in place 90 days prior to the Seasonal Commencement Date of each winter and summer flight season.

Initial Seasonal Schedule means the Seasonal Schedule submitted to Landlord by Tenant at least 180 days prior to the Seasonal Commencement Date of each winter and summer flight season.

Scheduled Operation means Tenant's operation (arrival or departure) that occurs pursuant to Tenant's current Final Seasonal Schedule.

Seasonal Commencement Date means first day of flights under the winter schedule and the summer schedule, as determined by Landlord.

Seasonal Schedule means the flight schedule submitted by Tenant to Landlord each winter and summer season.

Seats means a seat on an aircraft arriving or departing from the Airport other than those seats reserved in the flight deck or aircraft cabin for members of the flight crew.