

LEASE AND USE AGREEMENT

SAN FRANCISCO INTERNATIONAL AIRPORT

By and between the
AIRPORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO

And

FEDERAL EXPRESS CORPORATION

Mayor Gavin Newsom

AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Caryl Ito
Hon. Eleanor Johns
Hon. Richard J. Guggenhime

John L. Martin
Airport Director

March 1, 2010

Lease No. L10- 0086

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LEASE AND USE AGREEMENT

SUMMARY OF MAJOR TERMS

For the convenience of Airline and City (as such terms are defined below), this Summary of Major Terms (the "Summary") summarizes certain terms of this Agreement (as defined below). The Summary is not intended to be a detailed or complete description of this Agreement and reference must be made to the Sections below for the particulars of this Agreement. In the event of any inconsistency between the terms of the Summary and any other provision of this Agreement, such other provision shall prevail. Capitalized terms used elsewhere in this Agreement and not defined elsewhere shall have the meanings given them in the Summary.

Reference Date:	March 1, 2010
Airline:	Federal Express Corporation, a Delaware corporation
Lease No.	L10- <u>0086</u>
Airline's Notice Address: (§§ 101, 1904)	Federal Express Corporation Airport Relations and Development 3680 Hacks Cross Road Building H, 3 rd Floor Memphis, TN 38125 Attention: Wiley Johnson Jr. Title: Managing Director Real Estate and Airport Development Phone: (901) 434-9303 Fax: (901) 434-9691 Email: wjohnson1@fedex.com
Airline's Property Manager Address: (§ 1202(K))	Federal Express Corporation Building H, 3 rd Floor 3680 Hacks Cross Road Memphis, TN 38125-7736 Attention: Teri Kerichenko Title: Regional Airport Properties Mgr. Airport Relations & Development Phone: (901) 434-9649 Fax: (901) 434-9480 / 9668 Email: tmkerichenko@fedex.com
City:	The City and County of San Francisco, a municipal corporation, acting by and through its Airport Commission.

City's Notice Address: (§§ 101, 1904)	San Francisco International Airport Administrative Offices P.O. Box 8097 San Francisco, CA 94128 Attention: Airport Director Phone: (650) 821-5000 Fax: (650) 821-5005
Demised Premises: (§ 201) Exclusive Use Space:	Not applicable.
Joint Use Space:	Not applicable.
Preferential Use Space:	Not applicable.
Term:	Ten (10) years, commencing on the Effective Date and continuing through the Expiration Date.
Effective Date:	July 1, 2011
Expiration Date: (§ 211)	June 30, 2021, unless terminated earlier as provided herein.
Deposit Amount: (§ 1301)	Two (2) months of Terminal Area Rentals, Landing Fees, usage fees, per rates and charges.
Commission Resolution: (§ 101)	Number 10-086 approved by the Airport Commission on <u>March 14, 2010</u> .
Board Resolution: (§ 101)	Number <u>208-10</u> approved by the City's Board of Supervisors on <u>May 11, 2010</u> and signed by the Mayor on <u>May 21, 2010</u>
Initial Airline Representative: (§§ 101, 1921)	Federal Express Corporation 900 North Access Road San Francisco International Airport San Francisco, CA 94128 Attention: Glenn Van Winkle Title: Senior Manager AGFS-SFOR/RT Ramp Operations Phone: (650) 616-5907

	Fax: (650) 616-5970 Email: grvanwinkle@fedex.com
Other agreement(s), if any: (§§ 1501(x), 1502(E), 1301)	Lease 98-0173
Exhibits:	Exhibits A-Q

Initials of Authorized Representative of City:

JK

Initials of Authorized Representative of Airline:

JK

TK
KJC 2/23/10

APPROVED
LEGAL DEPARTMENT
J. D. K. 2-23-10

LEASE AND USE AGREEMENT

THIS LEASE AND USE AGREEMENT (the "Agreement") is made and entered into as of the Reference Date by and between the CITY AND COUNTY OF SAN FRANCISCO (the "City"), a municipal corporation acting by and through its AIRPORT COMMISSION (the "Commission"), and the AIRLINE identified in the foregoing Summary.

RECITALS

A. The City, acting by and through its Commission, owns and operates the San Francisco International Airport, which is located in the County of San Mateo, State of California.

B. Under the City Charter, Commission is charged with the management, supervision, operation, use, maintenance, extension, construction, and control of the Airport and is authorized to enter into all contracts, leases, permits, and agreements relating to matters within its jurisdiction and properties.

C. Airline desires to enter into this Agreement in order to operate at the Airport, and to lease and use certain space in one or more Terminals.

D. Pursuant to the Commission resolution identified in the Summary, Commission has determined that entering into this Agreement is in the best interest of City and has authorized the execution of this Agreement. Pursuant to the Board resolution identified in the Summary, the Board and the Mayor, each acting in their sole and absolute discretion, have determined that entering into this Agreement is in the best interest of City and have authorized the execution of this Agreement.

NOW THEREFORE, in consideration of the foregoing and of the mutual covenants set forth herein, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties do mutually agree as follows:

ARTICLE 1. DEFINITIONS

Section 101 Definitions. The following words, terms, and phrases, wherever used in this Agreement, including this Section, shall for the purpose of this Agreement have the meanings respectively ascribed to them in this Section.

"**ACAA**" means the Air Carrier Access Act, 49 U.S.C. Section 41705, as amended and supplemented.

"**Activity Report**" means a monthly air traffic activity report submitted in accordance with Section 401(C) in substantially the form attached hereto as Exhibit P, as modified from time to time.

"**ADA**" means, collectively, the Americans with Disabilities Act, 42 U.S.C. Sections 12101 et seq. and Title 24 of the California Code of Regulations, as amended and supplemented.

“Affiliate Airline” means a non-Signatory Airline that is operating at the Airport under an Operating Permit with City and either (i) is a wholly owned subsidiary of a Signatory Airline, (ii) is a subsidiary of the same corporate parent of the Signatory Airline or (iii) shares flight codes with a Signatory Airline at the Airport, or (iv) operates cargo feeder flights at the Airport under the direction and control of a Signatory Airline. Further, notwithstanding that a non-Signatory Airline may satisfy any of the criteria above, if such non-Signatory Airline is able to sell its own seats for flights at the Airport, it shall not be classified as an Affiliate Airline of any Signatory Airline.

“Agreement” means this Lease and Use Agreement.

“Air Carrier” means a legal entity certified by the Secretary of Transportation and engaged in the business of scheduled or non-scheduled commercial transportation by air of persons, property, mail, parcels and/or cargo.

“Airfield Area” means the Cost Center that includes all runways, taxiways, ramps, aprons, landing areas, adjacent infield areas, and related support facilities (e.g., perimeter dike, drainage pumping stations, field lighting, navigational aides, ARFF support facilities, fire and rescue watercraft, boathouses and related support facilities, and cart roads).

“Airfield Area Net Expense” has the meaning given such term in Section 503(A).

“Airline” means the Air Carrier that is a party to this Agreement.

“Airline Entity” means Airline’s officers, contractors, employees, agents, representatives, licensees and/or invitees, and their successors and assigns; provided, however, that Airline Entity shall not include passengers.

“Airline Leased Space” means the Joint Use Space, Exclusive Use Space, and Preferential Use Space in the Terminal Area leased to any Signatory Airline.

“Airline’s Notice Address” means the address set forth in the Summary, or such other address as Airline may designate in writing to City.

“Airline Rates and Charges” means all Landing Fees and Terminal Area Rentals, inclusive of rentals for Exclusive Use, Joint Use, and Preferential Use Space, paid by Signatory Airlines and Affiliate Airlines.

“Airline Representative” means a representative of Airline who is authorized to act on behalf of Airline, as specified in writing by Airline to City. The initial Airline Representative is identified in the Summary.

“Airport” means the San Francisco International Airport.

“Airport Cost Accounting System” means the system for collection, allocation, and reporting of revenues, expenses and debt service associated with the operation of the Airport in such a manner that will ensure the availability of proper data to support the calculation of Airline Rates and Charges required under this Agreement. The Airport Cost Accounting System for

reporting revenues, expenses and debt service utilized by City will preserve the basic Cost Centers and shall be in accord with Exhibit O which is incorporated herein by this reference.

“Airport Revenue Bonds” means taxable and tax-exempt obligations authorized and issued, or to be issued, by City or for the benefit of Airport, including bonds, refunding bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein, and other evidences of indebtedness, irrespective of priority of payment, the principal of, premium, if any, and interest on which are payable directly or indirectly from or secured in whole or substantial part by Revenues. Airport Revenue Bonds do not include Special Revenue Bonds.

“Airport Rules” means the reasonable and not unjustly discriminatory rules and regulations as are now or may hereinafter be prescribed by City as provided in Section 1001.

“Airport Support Area” means the Cost Center that includes all areas and facilities which support airline functions (e.g., hangars, aircraft maintenance facilities, cargo facilities, fuel farms, flight kitchens), Airport support, and City/State/federal installations, fixed base operators, airline offices outside the Terminal Area, airline employee parking, Airport-maintained employee parking, Airport support facilities with related parking, sewage/waste treatment plants, detention ponds, Coast Guard, FAA, FBI, Post Office and other related facilities, and all unleased land not included in another Cost Center.

“Airport TI Guide” means the Airport’s Airline Tenant Improvement Guide, as amended from time to time.

“Alterations” means the improvements installed by Airline at its expense in accordance with Section 903, including fixtures, furnishings, carpeting, decorations, finishings, equipment and all other improvements which Airline deems necessary for the use of the Demised Premises and which are not supplied by City.

“Annual Service Payment” means a payment to City’s General Fund in accordance with Sections 502(B) and 1510, or the equivalent amount determined in accordance with Section 1510(C) and (E).

“AO&M Expense” has the meaning given such term in Exhibit O.

“Basic Rate” has the meaning given such term in Exhibit O.

“Basic Rental Adjustment” has the meaning given such term in Section 502(C)(v).

“Billing and Operational Information” means any information that may be requested by City for the purposes of providing timely and accurate billing to Airline and improving Airport operations.

“Board” means City’s Board of Supervisors.

“Capital Improvement” means a single Airport addition or improvement, including equipment, which is purchased, leased or constructed at a cost of the Charge Trigger Amount or more, and has a useful life in excess of three (3) years.

“Charge Trigger Amount” means \$626,257 in Fiscal Year 2008/2009 dollars, as adjusted by the Index.

“City” means the City and County of San Francisco, a municipal corporation, acting by and through the Commission.

“City Entity” means City, Commission, its members, or any officers, agents, and employees of each of them, and their successors and assigns.

“City Charter” means that certain document, as amended from time to time, that grants City the legal authority to make and enforce all ordinances and regulations in respect to municipal affairs, subject only to the restrictions and limitations provided in that document.

“City’s Notice Address” means the address set forth in the Summary, or such other address as may be designated by City from time to time.

“Code Requirements” means, collectively, all fire sprinkler, seismic retrofit, and other building code requirements.

“Commission” means the Airport Commission of the City.

“Common Use” means the use of facilities or equipment made available by the City for use in common by one or more Air Carriers, each for a limited, designated period subject to payment of the applicable fees for such use.

“Common Use Gates” means the Gates as designated, both in number and location, from time to time by the Director in accordance with Article 3.

“Common Use Support Facilities” means the Support Facilities in the Terminals associated with the Common Use Gates or Common Use Ticket Counters as such Support Facilities are designated, both in number and location, from time to time by the Director in accordance with Article 3.

“Common Use Ticket Counters” means the ticket counters as designated, both in number and location, from time to time by the Director in accordance with Article 3.

“Concession Revenues” means (1) the fees and rentals collected by Commission acting on behalf of City for the right to provide and operate restaurants, bars, newsstands, gift shops, specialty shops, advertising displays, insurance, public telephones and other merchandising concessions and consumer services in the Terminal Area; (2) the fees and rentals collected by Commission acting on behalf of City for the right to provide and operate courtesy vehicles, ground transportation services, car rental services, hotels, service stations and other concessions and services in the Groundside Area; and (3) the fees and rentals collected by Commission acting

on behalf of City for other activities and services in the Groundside Area such as public automobile parking and traffic fines.

“Contingency Account” means the account of that name established pursuant to the Master Bond Documents, funded with Revenues and other City moneys, the balance in which serves to satisfy a portion of the debt service coverage requirements under the Master Bond Documents.

“Cost Centers” means the functional areas of the Airport used to indicate the general geographic location of facilities and in accounting for revenues, expenses and debt service, consisting of the “Airfield Area,” “Airport Support Area,” “Terminal Area,” “Groundside Area,” “Utilities Area,” and “West of Bayshore Area,” as further described in the definition of each Cost Center and illustrated in Exhibit O.

“Demised Premises” means the space leased by City to Airline on an Exclusive Use, Preferential Use, or Joint Use basis, all as more particularly described in the Summary and Exhibit D.

“Deposit” means Airline’s security deposit delivered in accordance with Article 13.

“Deposit Amount” means two (2) months of Terminal Area Rentals, Landing Fees, usage fees, rates and charges, in the amount set forth in the Summary as required under Article 13.

“Director” means the Airport Director, the Chief Executive Officer of the Airport.

“DT” or **“Domestic Terminals”** means Domestic Terminals T1, T2 and T3.

“DT Gate Management Protocols” means the protocols set forth in Exhibit J, as the same may be amended from time to time.

“DT Ticket Counter Management Protocols” means the protocols set forth in Exhibit I, as the same may be amended from time to time.

“Effective Date” means the date on which this Agreement becomes effective, namely, the later of July 1, 2011 or the date on which the following conditions have been satisfied: (a) each party shall have executed two duplicate originals of this Agreement and provided the other party with a fully-executed original of the same; (b) the Commission, the Board and the Mayor, each acting in their sole and absolute discretion, shall have approved this Agreement and Airline shall have received evidence of the same; (c) Airline shall have obtained all necessary and appropriate corporate authorizations of this Agreement, and City shall have received evidence of the same; and (d) Airline shall have delivered the Deposit in accordance with Article 13. The actual Effective Date is set forth in the Summary.

“Environmental Laws” has the meaning given such term in Section 2001.

“Event of Default” means each event listed in Section 1501.

“Exclusive Use Space” means space in a Terminal leased or permitted to a single Air Carrier for its exclusive use.

“Expiration Date” means June 30, 2021, unless terminated earlier as provided herein.

“FAA” means the Federal Aviation Administration or any successor agency.

“Fiscal Year” means the twelve (12) month period commencing on July 1 and expiring on June 30 of each year.

“Gate” means those portions of a Terminal individually comprised of a passenger holdroom, together with any or all of the following equipment if owned by City: a passenger loading bridge, a 400 MHz power unit, a pre-conditioned air unit, and related equipment. The related ramp (apron) is not included in the Gate, but is retained by City and used by the Air Carrier using the related Gate.

“Gate Management Protocols” means, with respect to the IT, the IT Gate Management Protocols, and with respect to the DT, the DT Gate Management Protocols.

“Groundside Area” means the Cost Center that includes all roadways and parkways, courtyards, fences, walks, bridges and culverts, public parking lots, garages, hotels, service stations, shuttle bus service (non-airline), consolidated rental car facility, AirTrain system including pedestrian bridges to Terminals, leased commercial unimproved areas, paved areas, buildings and structures other than Terminals and Airport/government installations.

“Gross Terminal Space” means every square foot of interior space in the Terminal Area.

“Hazardous Materials” has the meaning given such term in Section 2001(B).

“Information and Communications Technology” means the information and communications technology (ICT) utilities, devices and displays provided by the Airport under Section 803 including, but not limited to, telephone, guided wire, wireless radio communications (both cellular and Wi-Fi), satellite communications including television, and over-the-air commercial high-definition television (HDTV).

“Index” means the Implicit Price Deflator Index for Gross Domestic Product published by the U.S. Department of Commerce, Bureau of Economic Analysis, or its successor or replacement. The specific dollar cost figures throughout this Agreement are based upon Fiscal Year 2008/2009 dollars and shall be increased or decreased annually in proportion to changes in the Index using as a base the figure for the second quarter of 2008 (ending in June), which was 121.890 (index numbers, 2005=100; seasonally adjusted; and last updated on October 30, 2008.)

“Integrated Pest Management” or **“IPM”** has the meaning given such term in Section 1806(A).

“IT” or **“International Terminal”** means the portion of the Terminal Area, together with its connecting concourses, piers, boarding areas including extensions thereof, and satellite buildings, known individually as the International Terminal.

“IT Domestic Turn Fee” means the fee collected for use of Gates in the IT by domestic Air Carriers, as provided in Section 405.

“IT Gate Management Protocols” means the protocols set forth in Exhibit H, as the same may be amended from time to time.

“IT Ticket Counter Management Protocols” means the IT Ticket Counter and Other Joint Use Resources Management Protocols set forth in Exhibit G, as the same may be amended from time to time.

“Joint Use Formula” means the billing method applied to a specific area of Joint Use Space. The Joint Use Formula(s) applicable to Airline, if any, are attached as Exhibit E.

“Joint Use Space” means space in a Terminal that is leased or permitted for use by more than one Air Carrier with payments by the Air Carriers utilizing such space calculated using the Joint Use Formula applicable to such space.

“Joint Use Gate” means a Gate that is leased or permitted for use by more than one Air Carrier in accordance with the terms of Section 204(A)(iv), with charges to the Air Carriers utilizing such Gate calculated using the applicable Joint Use Formula.

“Landing Fee Rate” means the cents per thousand pounds of Maximum Landing Weight computed as provided in this Agreement, including Articles 4 and 5.

“Landing Fees” means the fees payable by the Signatory Airlines and their Affiliate Airlines as provided in this Agreement, including Articles 4 and 5.

“Lease and Use Agreement” means a Lease and Use Agreement substantially identical to this Agreement which is executed by a Signatory Airline.

“Majority-in-Interest” means more than fifty percent (50%) in number of the Signatory Airlines who, on the date in question, account for more than fifty percent (50%) of the aggregate weight for Revenue Aircraft Arrivals by the Signatory Airlines (including their respective Affiliate Airlines) at the Airport during the immediately preceding Fiscal Year.

“Master Bond Documents” means each resolution, ordinance, trust indenture or other document authorizing the issuance of Airport Revenue Bonds and prescribing the covenants and conditions attendant upon such issuance, including (a) Resolution No. 91-0210 adopted by the Commission on December 3, 1991, and (b) Resolution No. 97-0146 adopted by the Commission on May 20, 1997, each as amended and supplemented from time to time, or such successor resolutions not inconsistent with the provisions of this Agreement.

“Maximum Landing Weight” means the maximum weight in thousand pound units that an aircraft is authorized by the FAA to land at the Airport, as recited in the flight manual governing such aircraft.

“Non-Airline Revenues” means revenues of the Commission from sources other than Airline Rates and Charges, as illustrated in Exhibit O.

“Operating Permit” means a thirty-day (30) revocable permit issued by City to an Air Carrier who is not a party to a Lease and Use Agreement, to use, together with others so authorized, the runways, taxiways, navigational aids, and other general use landing air facilities, for its aircraft landing and takeoffs required in connection with its operations to and from the Airport.

“Passenger Facility Charge” or **“PFC”** means the fees authorized by 49 U.S.C. Section 40117 and regulated by 14 CFR Part 158 as such statute and regulations currently exist or as they may be amended during the Term of this Agreement.

“Period of Use” means (a) with respect to the use by a Signatory Airline (or its Affiliate Airline) of its Preferential Use Gate, the period of time with respect to a Scheduled Operation that such Signatory Airline is to use such Gate for a scheduled arrival and/or departure pursuant to the applicable Gate Management Protocols, (b) with respect to an Air Carrier’s use of a Gate that is not its Preferential Use Gate, the period of time that such Air Carrier is authorized to use such Gate for an aircraft arrival and/or departure pursuant to the applicable Gate Management Protocols, and (c) with respect to ticket counters and/or Support Facilities, the period of time that an Air Carrier is authorized to use such ticket counters and/or Support Facilities pursuant to the applicable Ticket Counter Management Protocols.

“Pesticide Ordinance” has the meaning given such term in Section 1806(A).

“Pre-Existing Condition” has the meaning given such term in Section 2001(D).

“Preferential Use” means with respect to a Gate, the scheduling preference over similar operations by another Air Carrier given to a Signatory Airline for the use of a Gate during applicable Periods of Use for such Signatory Airline’s Scheduled Operations.

“Preferential Use Gate” means a Gate assigned to a Signatory Airline for its Preferential Use in accordance with Article 3.

“Preferential Use Space” means the Terminal Area space leased by City to a Signatory Airline on a Preferential Use basis as provided in Article 3, and with respect to the Demised Premises leased to Airline, as described in Exhibit D.

“Public Space” means all Terminal Area space other than Airline Leased Space, including without limitation the space comprising Common Use facilities.

“Release” has the meaning given such term in Section 2001(C).

“Rental Surcharge” has the meaning given such term in Section 502(C)(iv).

“Requesting Airline” means an Air Carrier without adequate Gate access desirous of operating at the Airport.

“Revenue Aircraft Arrival” means each aircraft arrival at the Airport for which the applicable Air Carrier has received or made a monetary fee or charge, including flights which are diverted to the Airport because of mechanical, meteorological or other precautionary reasons;

provided, however, that flights departing from the Airport and required to return to the Airport for such reasons shall not be considered Revenue Aircraft Arrivals.

“**Revenues**” has the meaning given such term in the Master Bond Documents.

“**RMAC**” means the Resource Management Advisory Committee established under Section 302.

“**Scheduled Operation**” means an Air Carrier’s operation (arrival or departure) that occurs pursuant to a published schedule.

“**Scheduled Seats**” means the average daily number of departing seats on the Scheduled Operations of a Signatory Airline (including its Affiliate Airlines) to destinations in the United States or Canada and on international flights allowed by City to operate from a DT, for the month of August immediately preceding the Fiscal Year for which the determination under Section 304 is being made, which is computed by dividing total departing seats for the Scheduled Operations of a Signatory Airline (including its Affiliate Airlines) for the month of August by thirty-one (31).

“**Scheduled Seats Percentage**” has the meaning given such term in Section 304(A).

“**Settlement Agreement**” means the Settlement Agreement dated July 1, 1981, between City and certain Air Carriers.

“**SFAAAC**” means the San Francisco Airline-Airport Affairs Committee.

“**Shared Use Equipment**” means common use technology such as CUPPS, CUSS, iMUSE, CUTE, and other similar passenger processing equipment..

“**Signatory Airline**” means an Air Carrier, including Airline, that signs a Lease and Use Agreement.

“**Space Category(ies)**” shall mean the classification of the square footage attributable to the Airline Leased Space for the purpose of establishing Terminal Rental Rates, as set forth in Section 502(D) hereof.

“**Space Change Summary Notice**” means a notice in the form of Exhibit L. Each Space Change Summary Notice shall be deemed to form a part of this Agreement when executed by the parties and shall not require or constitute a formal amendment to this Agreement.

“**Special Revenue Bonds**” means taxable and tax-exempt obligations issued by City or on behalf of Airport, including bonds, refunding bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein and other evidences of indebtedness, the principal of, premium, if any, and interest on which are payable from or secured in whole or substantial part by revenues other than Revenues.

“**State**” means the State of California.

“**Summary**” means the Summary of Major Terms set forth at the beginning of this Agreement.

“**Support Facilities**” means ticket office, outbound baggage makeup, inbound baggage makeup, baggage claim, and/or other support space.

“**Surcharge Rate**” has the meaning given such term in Exhibit O.

“**T1**” means the portion of the Terminal Area, together with its connecting concourses, piers, boarding areas including extensions thereof, and satellite buildings, known individually as Domestic Terminal 1.

“**T2**” means the portion of the Terminal Area, together with its connecting concourses, piers, boarding areas including extensions thereof, and satellite buildings, known individually as Domestic Terminal 2.

“**T3**” means the portion of the Terminal Area, together with its connecting concourses, piers, boarding areas including extensions thereof, and satellite buildings, known individually as Domestic Terminal 3.

“**Term**” means the period of time during which Airline’s activities at the Airport shall be governed by this Agreement, as set forth in the Summary. Said Term shall begin on the Effective Date and, except as otherwise set forth herein, shall terminate on the Expiration Date.

“**Terminal**” means, individually or collectively, as the case may be, T1, T2, T3 and the IT.

“**Terminal Area**” means the Cost Center that includes all areas within the Terminals, including concourses, boarding areas, pedestrian bridges, tunnel lobbies to garages, mechanical/utility areas, lobbies, offices, Commission facilities, baggage facilities and storage areas.

“**Terminal Area Expenses**” has the meaning given such term in Section 502(A).

“**Terminal Area Rental(s)**” has the meaning given such term in Section 502(D).

“**Terminal Area Rental Rate(s)**” shall mean the rental rates established for Airline Leased Space classified according to Space Category by location and function, as calculated in accordance with Section 502(D).

“**Terminal Area Space**” means those categories of space used in the calculation of Terminal Area Rentals for the Signatory Airlines as more particularly defined under “Gross Terminal Space,” “Airline Leased Space,” and “Public Space.”

“**Terminal Company**” means an entity designated by Signatory Airlines and/or representing Signatory and non-Signatory Airlines for the purposes set forth herein, including in Sections 204(A), 209 and 1921 and Exhibit G.

“**Ticket Counter Management Protocols**” means, with respect to the IT, the IT Ticket Counter Management Protocols, and with respect to the DT, the DT Ticket Counter Management Protocols.

“**Transfer**” means any assignment, encumbrance, subletting or other transfer, whether voluntary or involuntary or by operation of law.

“**TSA**” means the Transportation Security Administration, or any successor agency.

“**Utilities Area**” means the Cost Center that includes the facilities for water, gas, electricity, telecommunication and information systems, including distribution systems.

“**West of Bayshore Area**” means the Cost Center that includes all of the property located west of U.S. Highway 101 currently under the jurisdiction of the Commission as indicated on the map attached hereto as Exhibit A.

Section 102 Time Conventions. Every use of the term "day" shall refer to a calendar day unless otherwise specified. Any reference to a time of day shall refer to the time of day at the Airport unless otherwise specified.

ARTICLE 2. PREMISES; USE

Section 201 Lease of Demised Premises.

A. City, as owner and operator of the Airport, shall and does hereby demise and let to Airline, and Airline shall and does hereby hire and take from City for the uses and purposes herein enumerated, the Demised Premises for use from and after the Effective Date on the terms and conditions set forth herein.

B. Following reasonable notice to Airline, Director may cause City to conduct a space audit pursuant to which City remeasures the Demised Premises using the Airport’s then-current measurement specifications, which space audit shall only be conducted at reasonable times. Following such measurement and notice to Airline, the Demised Premises description and the rent shall be deemed adjusted per such measurement. Airport measurement specifications as of the Effective Date are set forth in Exhibit N, attached hereto.

C. Airline acknowledges and agrees that (a) City shall have the right at all times to change, alter, expand, and contract the Airport; (b) City has made no representations, warranties, or covenants to Airline regarding the design, construction, pedestrian traffic, or views of the Airport or the Demised Premises; provided, however, that all such changes, alterations, expansions, and contractions, shall be subject to any consultation or approval requirements as may be described elsewhere in this Agreement. Without limiting the generality of the foregoing, Airline acknowledges and agrees that the Airport (i) is currently undergoing, and may from time to time hereafter undergo renovation, construction, and other Airport modifications; and (ii) may from time to time adopt Airport Rules relating to security and other operational concerns that may affect Airline’s business.

Section 202 Permitted Uses. Airline may use the Airport for all such operations and functions as are incidental, necessary or proper to the conduct of its air transportation business, including, but not limited to, the rights set forth below, provided the same are conducted in accordance with the conditions set forth in this Agreement and the Airport Rules; provided, however, that such rights shall not be construed as authorizing the conduct of a separate business by Airline, but shall permit Airline to perform such functions as are incidental to the conduct of air transportation:

- A. The use, with others so authorized, of the Airport and appurtenances, including the Terminal Area, the Groundside Area and the Airfield Area.
- B. The operation of an air transportation business for the carriage of persons, property, baggage, cargo, express and mail, including, but without limiting the generality hereof, revenue, courtesy, test, training, inspection, emergency, charter and sightseeing flights.
- C. The repairing, maintaining, conditioning, servicing, testing, parking or storage of aircraft or other equipment operated by Airline or other Air Carriers.
- D. The hiring and training on the Airport of personnel in the employ of or to be employed by Airline, its contractors or other Air Carriers.
- E. The sale, disposal, or exchange of Airline's aircraft, engines, accessories, gasoline, fuel, or other propellants, oils, greases, lubricants, and other equipment or supplies, to permit Airline to perform such functions as are incidental to the conduct of its air transportation business, and specifically, but without limitation, to permit the sale or disposal of any article or goods used by, or bought for use by Airline in connection with its operation of an air transportation business; provided, however, that Airline may not sell gasoline, fuel, or other propellants, oils, greases, and other lubricants, to anyone other than a subsidiary, an affiliated company, other Signatory Airlines, other Air Carriers, or others for use in aircraft being used in connection with operations of Airline unless a particular grade is desired by others and is not otherwise available from concessionaires at the Airport.
- F. The servicing by Airline, or others, of Airline's aircraft and other equipment by truck or otherwise, with gasoline, fuel or other propellants, oils, greases, lubricants, or other supplies including foods and beverages required by Airline. Notwithstanding anything to the contrary herein, (i) Airline acknowledges that City has granted, or may in the future grant, to one or more parties the sole and exclusive right to operate a fuel storage and delivery system serving the Airport; and (ii) Airline acknowledges and agrees that, to the extent it desires to receive distribution of jet fuel on Airport premises, it must receive such distribution from such party or parties, on the terms and conditions established by such party or parties. In no event will Airline have any right to operate a fuel storage and delivery system at the Airport.
- G. The landing, taking off, flying, taxiing, towing, parking, loading or unloading of Airline's aircraft, or the aircraft of any other Air Carrier.
- H. The loading and unloading of property, cargo, express, mail and carriage of employees, in properly designated facilities, by such motor vehicles or other manner of conveyance as Airline may desire or require in the operation of an air transportation business,

with the right to designate the Air Carrier(s) who shall regularly transport Airline's employees, property, cargo, express and mail to and from the Airport, subject to Subsection (O).

I. The use, alone or in conjunction with other Air Carriers as provided herein, of the Airport's Common Use facilities and the Demised Premises for any and all purposes in connection with and incidental to the operation of an air transportation business, including, without limiting the generality hereof, the handling of reservations, the handling, ticketing, billing and manifesting of passengers, baggage, express, cargo, property and mail, and the installation, maintenance and operation of radio and other communications equipment and facilities, meteorological and navigational equipment and facilities (subject to coordination with the Airport's radio service). In addition, Airline or any subsidiary of Airline, may, within the confines of the Demised Premises leased to Airline hereunder and subject to the Director's approval, operate passenger clubs and lounges in the Terminal Area, and to the extent permitted by law serve food and beverages in such passenger clubs and lounges.

J. The preparation by Airline, or a subsidiary of Airline, of food and beverage service to be used in connection with the furnishing of air transportation by Airline or to provide in-flight food and beverage services for other Air Carriers and to engage in any activities related thereto.

K. The installation, maintenance and operation, by Airline alone, or in conjunction with other Air Carriers, without cost to City, of a reasonable amount of suitable airplane air conditioning equipment, auxiliary power, start-up and other miscellaneous support equipment, which equipment shall be subject to the approval of Director and shall be installed, maintained and operated in accordance with the Airport TI Guide and the Airport Rules.

L. The installation and operation, at Airline's expense, of signs identifying the business of Airline, which signs shall be substantially uniform in size, type and location with those of other Air Carriers, the number, general type, size, design and location of such signs to conform to the Airport TI Guide and the Airport Rules, and which signs shall be subject to the approval of Director, such approval not to be unreasonably withheld

M. The use of all public areas inside and outside the Terminal Area, which use shall be nonexclusive.

N. The purchase or other acquisition of services or personal property of any nature, including, but not limited to, gasoline, fuel, propellants, lubricating oil, greases, food, beverages and other materials, equipments and supplies deemed by Airline to be required by, or incidental to, Airline's operations, its exercise of the rights herein granted or its discharge of the obligations herein imposed, from any person, partnership, firm, association, or corporation it may choose pursuant to licensing requirements established consistent with Section 1001 hereof and subject to Subsections (F) and (O).

O. City retains the right to regulate ground handlers and other service providers used by Airline. Airline is entitled to engage in its operations only those third-party ground handlers and service providers that are licensed or permitted by City to operate at the Airport. In the event Airline agrees to ground handle any portion of the operations of another Air Carrier,

Airline shall provide City advance written notice of such proposed activities, including a description of the type and extent of services to be provided. Notwithstanding the foregoing, Airline shall not ground handle any Air Carrier which does not have the consent of City to operate at the Airport.

Section 203 Prohibited Uses, Exclusions and Reservations.

A. Airline shall not use the Airport or cause or permit its employees or others to use the Airport for any other purpose than specified under the terms and conditions of this Agreement. Without limiting the generality of the foregoing, Airline shall not do, cause or permit anything to be done in or about the Airport, or bring or keep anything thereon which will in any way:

- (i) increase the rate of fire insurance upon the Terminal Area or any of its contents; or
- (ii) subject to Section 1001 hereof, conflict with any law, ordinance, rule or regulation now in effect or which may hereafter be enacted or promulgated by any public authority having jurisdiction; or
- (iii) create a nuisance; or
- (iv) obstruct or interfere with the rights of other tenants in the Terminal Area; or
- (v) commit or suffer to be committed any waste; or
- (vi) place any loads upon the floor, walls, or ceiling which endanger the structure; or
- (vii) obstruct the sidewalk or passageways or stairways or escalators; or
- (viii) be unlawful.

B. Airline shall not knowingly interfere or permit interference with the use, operation, or maintenance of the Airport, including, but not limited to, the effectiveness or accessibility of the drainage, sewerage, water, communications, fire protection, utility, electrical, or other systems installed or located from time to time at the Airport.

C. As soon as possible after release from proper authorities, Airline shall remove any of its disabled aircraft from the airfield or aprons, shall place any such disabled aircraft only in such storage areas as may be reasonably designated by the Director, and shall store such disabled aircraft only upon such terms and conditions as may be reasonably established by City. In the event Airline shall fail to remove any of its disabled aircraft as expeditiously as possible, City may, after at least two (2) days written notice, but shall not be obligated to, cause the removal of such disabled aircraft. Airline shall pay to City, upon receipt of an invoice, the costs incurred for such removal plus fifteen percent (15%).

D. Airline shall not do or permit to be done anything, either by act or failure to act, that shall cause the cancellation or violation of the provisions, or any part thereof, of any policy of insurance for the Airport or that shall cause a hazardous condition so as to increase the risks normally attendant upon operations permitted by this Agreement. If Airline shall do or permit to be done any act not permitted under this Agreement, or fail to do any act required under this Agreement, regardless of whether such act shall constitute a breach of this Agreement, which act or failure, in and of itself, causes an increase in City's insurance premiums, Airline shall immediately remedy such actions upon notice from City to do so.

E. City may install or cause to be installed advertising and revenue generating devices, including vending machines, in Joint Use Space and Preferential Use Space in the Demised Premises; provided, however, that City shall not install or cause to be installed advertising for Airline's direct competitors in Airline's Preferential Use Space. Airline shall purchase all advertising for any product or service other than air service arriving at or departing from the Airport from the Airport's advertising concessionaire. Any revenue generated by advertising installed on Airline-owned equipment shall be shared by City and Airline as shall be mutually agreed. City may also, at its sole option, install Information and Communications Technology in any part of the Terminals excluding Airline's clubs and lounges. City shall be entitled to reasonable access to the Demised Premises so as to install or service such Information and Communications Technology. Income generated by such Information and Communications Technology shall be accounted for in the same manner as other Non-Airline Revenues of the Airport.

F. Except as permitted or authorized by applicable Environmental Laws or discharge requirements issued by the Airport or included in the Airport Rules, Airline shall not dispose of nor permit any other person to dispose of any waste material into the sanitary or storm sewers at the Airport or elsewhere (whether liquid or solid) unless such waste materials or products are first properly treated. Nothing herein shall prohibit Airline from disposing of human waste taken from its aircraft in proper designated sanitary sewer facilities.

G. Airline shall not disturb any asbestos at the Airport without first obtaining all permits and approvals as required by applicable Environmental Laws or by City. City shall make available to Tenant upon request any surveys, reports, plans, or other documentation regarding the presence or management of asbestos at the Airport.

H. Any and all rights and privileges not specifically granted to Airline for its use of and operations at the Airport pursuant to this Agreement are hereby reserved for and to City.

Section 204 Space Classifications. For purposes of rent allocations and billing, all space is either deemed Joint Use Space, Exclusive Use Space, Preferential Use Space, or Public Space.

A. Joint Use Space. All space designated as Joint Use Space has the following characteristics:

(i) Airline shall be entitled to use the Joint Use Space included in the Demised Premises with others so authorized, subject to the provisions of Subsections 204(A)(iii), (iv) and (v) below.

(ii) Rent on Airline's Joint Use Space shall be based on the Joint Use Formula applicable to such area of Joint Use Space.

(iii) If the Demised Premises include ticket counters and other resources used by more than one Air Carrier within Joint Use Space in the IT, Airline shall be entitled to use the same with others so authorized. Such ticket counters and resources shall be assigned to Airline for priority use as determined by a Terminal Company, based on the IT Ticket Counter Management Protocols, which assignments are subject to City's approval, not to be unreasonably withheld. In determining Airline's need, the Terminal Company shall include the needs of Air Carriers being handled at such ticket counters and resources by Airline. When Airline is not using the assigned ticket counters and resources, other Air Carriers may use some or all of the same, in accordance with the IT Ticket Counter Management Protocols. The Terminal Company shall be responsible for arranging such use, based on the IT Ticket Counter Management Protocols, and shall inform City of such arrangements with such frequencies as the parties shall determine. Although City does not intend to review or approve each such arrangement, City shall have the right to oversee and reasonably object to such arrangements or practices. In such event, the Terminal Company shall revise its practices to satisfy City's objection. City shall manage the ticket counters and resources within the IT Joint Use Space in accordance with the IT Ticket Counter Management Protocols during any period of time when there is no Terminal Company under contract to provide such services.

(iv) If the Demised Premises include Gates within Joint Use Space in the IT, Airline shall be entitled to use such Joint Use Gates with others so authorized. Such Gates shall be assigned to Airline for priority use as determined by a Terminal Company, based on the IT Gate Management Protocols, which assignments are subject to City's approval, not to be unreasonably withheld. In determining Airline's need, the Terminal Company shall include the needs of Air Carriers being handled at such Gates by Airline. When Airline is not using the assigned Gates, other Air Carriers may use some or all such Gates, in accordance with the IT Gate Management Protocols. The Terminal Company shall be responsible for arranging such use, based on the IT Gate Management Protocols, and shall inform City of such arrangements with such frequencies as the parties shall determine. Although City does not intend to have daily approvals over each such arrangement, City shall have the right to oversee and reasonably object to such arrangements or practices. In such event, the Terminal Company shall revise its practices to satisfy City's objection. City shall manage the Gates within the IT Joint Use Space in accordance with the IT Gate Management Protocols during any period of time when there is no Terminal Company under contract to provide such services.

(v) Other Joint Use Space in the Terminals may be managed by City or by one or more Terminal Companies in accordance with management protocols, including the Ticket Counter Management Protocols and Gate Management Protocols, as applicable. If Director elects to treat an area in the Terminals as Joint Use Space, City may establish or designate the necessary management protocols and Joint Use Formulas in consultation with the Air Carriers that will use such Joint Use Space and any Terminal Company that will manage such Joint Use Space.

B. Exclusive Use Space. All space designated as Exclusive Use Space shall be space with the following characteristics:

(i) Airline shall have the exclusive right to occupy and use all Exclusive Use Space included in the Demised Premises.

(ii) Rent for all Exclusive Use Space shall be based on City's rates and charges, as calculated pursuant to this Agreement.

C. Preferential Use Space. All space designated as Preferential Use Space shall be space with the following characteristics:

(i) Airline shall be entitled to use Preferential Use Space included in the Demised Premises with others authorized in accordance with the provisions of Article 3.

(ii) Rent for all Preferential Use Space shall be based on City's rates and charges, as calculated pursuant to this Agreement.

D. Public Space. All space designated as Public Space shall be space with the following characteristics:

(i) Airline shall be entitled to use Public Space (other than space leased or permitted to, or used by, other tenants or parties) within the Terminal Area with others so authorized in accordance with the provisions of this Agreement and the Airport Rules.

(ii) City will periodically designate portions of the Public Space for use as Common Use Gates, Common Use Ticket Counters and Common Use Support Facilities.

(iii) Airline's use of a Common Use Gate, a Common Use Ticket Counter or Common Use Support Facilities shall be as provided by Article 3 hereof and the applicable Gate Management Protocols and Ticket Counter Management Protocols.

(iv) Fees for the use of Common Use facilities shall be established by City in accordance with this Agreement.

Section 205 Rights of Way. Airline shall have the use and enjoyment of suitable rights of way in the Terminal(s) where the Demised Premises are located to install and maintain facilities necessary to Airline's air transportation operations, except that Airline shall not be entitled to any such rights of way for any function provided or available to Airline through City or a Terminal Company. Airline shall have the use and enjoyment of suitable rights of way over, under and upon the apron areas adjacent to the Demised Premises for the purpose of enabling Airline, at its own expense, to install and maintain underground conduits, ducts, pipes, wires and incidental pumps, motors, tanks, filters and other equipment which are or may be necessary or convenient in connection with the supply of power, airstart, and other services to Airline's aircraft, provided that such right(s) of way shall not be in competition with the exclusive fuel system described in Section 202(F) of this Agreement. The location or locations of said rights of way and installations therein shall be subject to the prior written approval of Director. The use and enjoyment of said rights of way shall not be subject to any charge whatsoever by City to

Airline. Notwithstanding anything to the contrary herein, Airline shall have no such right(s) of way for any telecommunications systems, except and to the extent the same is consistent with the Airport's telecommunications policies and programs, including the Communications Master Plan and the Telecommunications Infrastructure Policy, as the same may be amended from time to time.

Section 206 Ingress and Egress. Subject to Airport Rules and applicable federal security regulations, City hereby grants to Airline the following rights and privileges of ingress and egress at the Airport:

A. For Airline, its agents, employees, contractors and subcontractors: to the public areas of the Airport and to those areas and facilities designated herein for use by Airline. This right shall extend to aircraft, vehicles, machinery and equipment used by or for the benefit of Airline in its air transportation business.

B. For Airline's passengers, guests and invitees: to areas leased exclusively, jointly or preferentially to Airline and to public areas and public facilities. This privilege shall extend to vehicles of such passengers, guests and invitees.

C. For Airline's vendors, suppliers of materials and furnishers of service: to the public areas of the Airport and to areas and facilities leased to or designated herein for use by Airline. This privilege shall extend to vehicles, machinery and equipment of such vendors, suppliers and furnishers of services used in their business of furnishing such supplies and services to Airline; provided, however, that Commission may impose a charge upon Airline's suppliers or furnishers of service in an amount sufficient to recover the costs incurred in the reasonable regulation by Commission of such suppliers or furnishers of service in the exercise by them of the foregoing right of ingress and egress.

The full and free right of ingress and egress provided for above shall not be used, enjoyed or extended for any purpose or use in contravention of the provisions of Section 202 hereof unless expressly authorized by Director. When reasonably required for reasons of safety or security, Director may limit access to any area within the Airport.

Section 207 Accommodation of Other Air Carriers in Airline's Exclusive Use Space.

A. To facilitate the entry of new Air Carriers and to maximize the utilization of facilities at the Airport, City shall first attempt to accommodate Air Carriers with space needs with Preferential Use Gates as provided in Article 3, Common Use facilities, Joint Use Space, or uncommitted space available in the applicable Terminal.

B. If the Common Use facilities or Joint Use Space cannot adequately accommodate the requesting Air Carrier needs, City shall have the right to require accommodation of a requesting Air Carrier in Airline's Exclusive Use Space as follows: Airline agrees, upon request by City, to make all reasonable efforts to facilitate the temporary accommodation of an Air Carrier's operations, including use of space for a ticket counter area, use of Airline's baggage facilities and the rendering of customary ground services, if (1) Airline has adequate capabilities, capacity, facilities and personnel therefor, after taking into account Airline's own requirements and contractual obligations, the compatibility of said Air Carrier's

proposed operations with those of Airline, and (2) said Air Carrier enters into a written agreement with Airline therefore and agrees to (a) pay Airline its established rates and charges for such services, (b) indemnify and hold harmless Airline and Airline Entities to the same extent as Airline is required to indemnify the City hereunder for claims or liability (including fines and penalties arising out of or in connection with such Air Carrier's acts or omissions or use of the Demised Premises), and (c) carry insurance in the amounts and of the type(s) as may be reasonably requested by Airline, not to exceed the insurance required of Airline under this Agreement. Any accommodation of an Air Carrier under the procedures hereof may be pursuant to a sublease, handling agreement, or a combination thereof, mutually agreed upon by the parties and subject to the Director's approval.

C. Nothing contained in this Agreement nor the rights conferred herein shall prevent or prohibit the entering into of inter-airline agreements between Airline and other Air Carriers authorized to operate into and out of the Airport; provided, however, that any agreements between Airline and another Air Carrier providing for the shared use of any of the facilities in the Exclusive Use Space leased to Airline shall be approved in writing by the Director.

D. During any use of Airline's facilities by another Air Carrier at City's request pursuant to this Section, Airline shall thereupon be relieved of any obligation under this Agreement to indemnify and save harmless City and City Entities with regard to any claim for damages or personal injury arising out of or in connection with said accommodated Air Carrier's use of the Demised Premises unless proximately caused by the sole negligence of Airline or any Airline Entity that has come upon the Demised Premises in connection with Airline's occupancy hereunder. The City shall, however, require such indemnification from such other Air Carrier.

Section 208 Environmental Sustainability Measures. From time to time, City may adopt certain environmental sustainability measures to minimize the environmental footprint of Airport operations. Air Carriers operating at the Airport may also pursue various sustainability measures. City encourages such initiatives and from time to time may call upon Airline to cooperate with City where practicable in implementing sustainability measures that impact Airline operations such as tenant improvements to Leadership in Energy and Environmental Design (LEED) Silver or better standards, energy and water conservation, solid waste reduction and recycling, electrification of ground services equipment, maximizing the use of preconditioned air, or single engine taxiing, provided that such sustainability measures are lawful. Airline shall agree to implement sustainability measures as required to meet City, State and federal regulations.

Section 209 Equipment, Maintenance and Operating Agreements.

A. Domestic Terminals.

(i) City-owned passenger loading bridges and baggage handling systems. Airline will be responsible for equipment maintenance functions on City-owned baggage handling systems, including high-tech maintenance, and passenger loading bridges at Preferential Use Gates either directly through Airline's employees or through one or more

Terminal Companies. City will be responsible for equipment maintenance functions on City-owned passenger loading bridges at Common Use Gates.

(ii) Other City-owned equipment and systems. City will be responsible for equipment maintenance functions on certain other City-owned equipment and systems utilized by Airline, including but not limited to, centralized baggage handling system monitoring and control systems related to explosive detection equipment, preconditioned air, and 400Hz ground power.

B. International Terminal.

(i) City-owned passenger loading bridges and baggage handling systems. Airline will be responsible for equipment maintenance functions on City-owned passenger loading bridges and baggage handling systems either directly through Airline's employees or through one or more Terminal Companies. Airline will not be responsible for equipment maintenance functions on City-owned equipment described in Subsection (ii) below unless otherwise agreed to by the parties.

(ii) Other City-owned equipment and systems. Unless otherwise agreed to by the parties, City will be responsible for equipment maintenance functions on certain other City-owned equipment and systems utilized by Airline, including centralized baggage handling system monitoring and control systems related to explosive detection equipment, preconditioned air, 400Hz ground power, and other equipment owned by City as of the Effective Date. City shall have sole discretion to retain or assign maintenance functions with respect to new equipment acquired by City after the Effective Date upon consultation with the applicable Terminal Company or the Signatory Airlines operating from the IT.

C. Maintenance Standards. All equipment maintenance functions will be subject to audit and oversight by City, and will be conducted in accordance with maintenance schedules, record-keeping, reporting and quality standards established by City. Airline will submit for City's approval a maintenance plan to meet City's requirements. City reserves the right to assume equipment maintenance functions for City-owned passenger loading bridges and baggage handling systems following notice to Airline in the event, at City's sole determination, Airline fails to comply with maintenance standards established by City and to cure such failure within 90 days of City's notice.

Section 210 Relocation of Operations. From time to time during the Term of this Agreement, part or all of the Demised Premises may be required (1) for implementation of improvements at the Airport; (2) for accommodation of the traveling public; or (3) in order to maximize the use of the Terminals and related facilities by Air Carriers (including Airline) and other tenants, lessees, permittees, and users thereof. In said event, City shall provide at least sixty (60) days advance written notice of the Director's decision to reallocate space in the Terminals and of the schedule for implementation of such reallocation. Director and Airline may agree to reasonable extensions of time necessary to accommodate said reallocation. Airline hereby agrees to comply with any reallocation requirements. In any such reallocation, the actual, reasonable requirements of Airline for Terminal space to accommodate its operations at the Airport shall be given consideration. All reasonable moving costs resulting from relocation of Airline in a City-

imposed temporary reallocation of space shall be funded by City, subject to rate recovery under Articles 4 and 5; provided, however, that if removal of all or a portion of Airline's trade fixtures and other movable property from the existing premises and reinstallation of the same at Airline's new premises is possible and not unreasonable, Airline shall not be entitled to a replacement of such fixtures or property. Notwithstanding any provision of this Section to the contrary, Airline shall not be entitled to reimbursement for relocation of or within (a) Joint Use Space, or (b) Preferential Use Space resulting from the annual reallocation, acceptance or rejection of Gates in accordance with Article 3.

Section 211 [Reserved].

Section 212 Termination.

A. Termination for Cessation of Use. Without limiting the generality of Section 1501 of this Agreement, City shall have the right to terminate this Agreement if Airline ceases all Revenue Aircraft Arrivals at the Airport and such cessation continues for more than thirty (30) consecutive days. To exercise such right of termination, City shall give a termination notice to Airline. In such event, this Agreement shall terminate on the date specified in the notice. City shall not have the foregoing right to terminate for such cessation if such cessation is caused by a force majeure event described in Section 1908.

B. Mid-Term Optional Termination. Airline shall have the option to request termination of its use of up to twenty percent (20%) of its Exclusive Use Space prior to the expiration of this Agreement; provided, however, that such a request may only be submitted during the period commencing July 1, 2015 through February 1, 2016. To exercise this option, Airline shall give City ninety (90) days written notice requesting the City's consent to such termination, effective July 1, 2016. If, in the City's sole determination, the Exclusive Use Space Airline intends to vacate has independent physical access and is otherwise functional and useable by other Air Carriers or tenants, the City shall not unreasonably withhold approval of Airline's request under this Section. In case of a termination hereunder, City shall issue to Airline a Space Change Summary Notice documenting the termination of any portion of Airline's Exclusive Use Space under this Section.

C. Other Termination Rights. Airline may terminate this Agreement as provided in Sections 911, 912, 1510 and 1511.

D. Surrender of Demised Premises. All Demised Premises surrendered by Airline under this Section shall be subject to the provisions of Section 1601.

Section 213 Recapture of Exclusive Use Space Following Involuntary Reduction in Number of Preferential Use Gates. If the number of Preferential Use Gates assigned to Airline is reduced during the Term of this Agreement for any reason, City may at any time thereafter and from time to time, after taking into account any recommendations of the RMAC, at City's sole discretion and upon thirty (30) days written notice to Airline, terminate Airline's rights to use all or a portion of Airline's Exclusive Use Space, including, but not limited to, ticket counters and Support Facilities, that is reasonably required to support the operations of other Air Carriers using the Preferential Use Gates no longer assigned to Airline; provided, however, that City shall

not so terminate rights to Exclusive Use Space that, in the Director's reasonable discretion, are required to support Airline's operations at Airline's remaining Preferential Use Gate(s), if any. In case of recapture hereunder, City shall issue to Airline a Space Change Summary Notice documenting the recapture of any portion of Airline's Exclusive Use Space under this Section. Airline's surrender of Exclusive Use Space pursuant to this Section or surrender of Preferential Use Gates shall be subject to the terms of Section 1601 of this Agreement.

Section 214 Recapture of Exclusive Use Space Following Rejection of Preferential Use Gates by Airline. Whenever Airline declines to accept a Preferential Use Gate following allocation of Gates pursuant to Section 304, City may at any time thereafter and from time to time, after taking into account any recommendations of the RMAC, at City's sole discretion and upon sixty (60) days written notice to Airline, reclaim all or a portion of Airline's Exclusive Use Space associated with the rejected Preferential Use Gate, including, but not limited to, ticket counters and Support Facilities, in accordance with the following procedure:

A. If there is another Signatory Airline that is willing to lease the reclaimed space, Airline and the other Signatory Airline shall attempt to negotiate an agreement as to any changes to the condition or layout of the space, any required sharing of Support Facilities such as hallways and baggage areas, any associated costs, and any other provisions required to permit the other Signatory Airline to use the reclaimed space for its intended purpose.

B. If Airline and the other Signatory Airline cannot reach agreement on the items listed above, City shall join the negotiations and attempt to mediate an agreement.

C. If City is unable to mediate an agreement on the items listed above, the Airport Director shall develop a reasonable solution and notify both Airline and the other Signatory Airline of the decision.

D. Any changes to Airline's Demised Premises and the other Signatory Airline's leased space as a result of Subsections (A) through (C) above shall be documented by City issuing a Space Change Summary Notice to Airline and the other Signatory Airline.

E. Airline shall be responsible for the cost of removing its furniture, fixtures, and equipment from the reclaimed space and returning the reclaimed space to a tenantable condition in accordance with the provisions of Section 1601 of this Agreement, and such reclaimed space shall revert to the possession and control of City and may thereafter be made available by City on a Common Use basis to other Air Carriers, or leased on an Exclusive Use or Preferential Use basis to other Signatory Airlines or Airport tenants.

F. Under no circumstances shall Airline be responsible for any costs greater than those required to vacate its furniture, fixtures, and equipment, including communications and utility lines, from the reclaimed space and to return the reclaimed space in the condition provided in Section 214(E) above. Airline will not be responsible for any costs of extending utilities to make the reclaimed space tenantable.

Section 215 Airline-Owned Equipment in Demised Premises.

A. If Airline leased space in one or more of the Domestic Terminals prior to the Effective Date of this Agreement, any equipment or trade fixtures (including without limitation passenger loading bridges and baggage handling systems) owned by Airline located in such space shall be treated as follows:

(i) If the previously leased space where such equipment or trade fixtures are located remains in the Demised Premises under this Agreement, City and Airline agree that such equipment or trade fixtures may remain in the Demised Premises under Airline ownership subject to the provisions of this Agreement. With respect to such equipment or trade fixtures located at or associated with a Preferential Use Gate, Airline hereby grants City and/or any other Air Carrier using such Gate the right to use the Airline-owned equipment or trade fixtures located at or associated with such Preferential Use Gate in accordance with the terms of this Agreement.

(ii) If the previously leased space where such equipment or trade fixtures are located is not included in the Demised Premises under this Agreement, the treatment of such equipment or trade fixtures prior to the Effective Date shall be determined in accordance with the terms of the prior lease or permit for such space, unless City and Airline shall have made alternate arrangements.

B. If a Preferential Use Gate previously assigned to Airline is no longer assigned to Airline (either because Airline declines to accept such Gate during the annual allocation process under Section 304 or for any other reason), and Airline-owned equipment or trade fixtures are located at or associated with such Preferential Use Gate, Airline shall remove such equipment or trade fixtures in accordance with Section 1601 prior to surrendering such Preferential Use Gate unless City and Airline shall have made alternate arrangements.

Section 216 Affiliate Airlines. A Signatory Airline may designate one or more Affiliate Airlines by submitting documentation sufficient to demonstrate to the satisfaction of the Director that the conditions of this Section have been met. Each Affiliate Airline shall execute an agreement with City substantially in the form of an Operating Permit prior to operating at the Airport. Airline shall provide City with thirty (30) days prior written notice before designating an Affiliate Airline. This Agreement and such written notice shall constitute an agreement by Airline to guarantee and be responsible for performing all obligations hereunder on behalf of its Affiliate Airline(s), including, without limitation, all reporting obligations, and paying all amounts to be due to City from Affiliate Airline under this Agreement. If an Air Carrier is an Affiliate Airline of more than one Signatory Airline, the guaranty of each such Signatory Airline shall include only the payment and reporting obligations in connection with the flight operations of the Affiliate Airline related to such Signatory Airline. Airline's designation of any Affiliate Airline shall be subject to City's approval, which approval shall not be unreasonably withheld provided that Airline has notified City in the manner required above. Airline shall provide City with thirty (30) days prior written notice before the cancellation or modification of any designation of an Affiliate Airline. Regardless of the timing of any such written notice, an Affiliate Airline's status shall terminate automatically at such time as the Affiliate Airline ceases to satisfy the criteria that allowed it to qualify as an Affiliate Airline hereunder. An Affiliate Airline shall have no Majority-in-Interest voting rights, but shall be included with its Signatory Airline's Revenue Aircraft Arrivals for purposes of determining a Majority-in-Interest.

ARTICLE 3. ASSIGNMENT AND USE OF COMMON USE FACILITIES AND PREFERENTIAL USE GATES

Section 301 No Exclusive Use Gates. Gates will be leased to Signatory Airlines as Preferential Use Gates or Joint Use Gates, or will be made available by City for use by an Air Carrier, including a Signatory Airline, as a Common Use Gate. No Gates will be leased or permitted to any Air Carrier on an Exclusive Use basis. Use of any Gate shall, at all times, be subject to the Gate Management Protocols applicable to such Gate. As of July 1, 2011, all Gates in the DT are Preferential Use Gates or Common Use Gates, and all Gates in the IT are Joint Use Gates and/or Common Use Gates. City reserves the right to remove Gates from active use, following consultation with the RMAC and SFAAAC.

Section 302 Resource Management Advisory Committee. The Director shall establish a committee composed of three (3) representatives designated by City and three (3) representatives of the Signatory Airlines designated by the SFAAAC (the "Resource Management Advisory Committee" or "RMAC") to review and make recommendations to City about the numbers of Gates to be reserved for use as Common Use Gates during any Fiscal Year and about the locations within the Terminals of Common Use Gates and Preferential Use Gates. The RMAC shall consider both the operational efficiency from the perspectives of City, the Signatory Airlines and any non-Signatory Airlines, and the customer service implications of its recommendations. The final recommendations of the RMAC shall be advisory only, and all final determinations shall be made by the Director in the Director's sole discretion.

Section 303 Annual Determination by the City of the Total Number of Common Use Gates.

A. No later than October 1, 2010 and October 1 of each year thereafter, City shall present to the RMAC for review and discussion a preliminary plan indicating the number of Gates in each Terminal proposed to be reserved for use as Common Use Gates in the following Fiscal Year. The Director shall have sole discretion, after taking into consideration any recommendations by the RMAC, to determine the total number of Gates to be reserved as Common Use Gates effective July 1, 2011 and July 1 of each Fiscal Year thereafter during the Term. Gates other than Joint Use Gates remaining available for use after such determination shall be offered by City to Signatory Airlines for use as Preferential Use Gates to be allocated in accordance with Section 304. City shall notify in writing all Signatory Airlines, including Airline, of its determination with respect to Common Use Gates no later than December 1, 2010 and December 1 of each Fiscal Year thereafter during the Term. Any Gate first becoming available for use after July 1 of each Fiscal Year shall be reserved for use as a Common Use Gate for the remainder of that Fiscal Year unless, after taking into consideration any recommendation of the RMAC, the Director, in the Director's sole discretion, designates the Gate as a Joint Use Gate or assigns it to a Signatory Airline as a Preferential Use Gate.

B. Notwithstanding Section 303(A) above, the Director's initial determination of the number of Common Use Gates in all DT under Section 303(A) shall not exceed ten percent (10%) of the total number of DT Gates. This limitation shall not prevent the Director from designating additional Gates for Common Use in accordance with the last sentence of Section 303(A), or following rejection of such Gates by all eligible Signatory Airlines under Section 304(F).

C. If at any time the Director determines that a certain number of Gates in the IT are to be reserved for use as Common Use Gates, the Director may designate specific Gates for such use or may make the determination without reference to specific Gates, thereby allowing greater flexibility in the daily utilization of IT Gates in accordance with the IT Gate Management Protocols.

Section 304 Annual Determination of the Number and Locations of Preferential Use Gates to be offered to the Signatory Airlines. After determination by City of the total number of Common Use Gates pursuant to Section 303, City shall apply the following methodology (as illustrated in Exhibit J-2) to determine the total number of Preferential Use Gates that will be offered to each Signatory Airline, including Airline, during each Fiscal Year, effective July 1, 2011 and July 1 of each Fiscal Year thereafter:

A. The City shall first divide the number of Scheduled Seats for Airline, including its Affiliate Airline(s), by the total number of Scheduled Seats for all Signatory Airlines to determine Airline's percentage share of all Scheduled Seats ("Scheduled Seats Percentage").

B. The City shall calculate the number of Preferential Use Gates to be offered to Airline by multiplying Airline's Scheduled Seats Percentage by the total number of Gates to be made available for Preferential Use, rounding the product to the nearest whole number; provided, however, that a product less than 0.5 shall not be eligible for rounding under this Subsection.

C. If as a result of rounding, the total number of Preferential Use Gates to be offered to all Signatory Airlines as computed in Section 304(B) is less than the total number of Gates available for Preferential Use as determined under Section 303, City shall allocate such remaining Preferential Use Gates to Signatory Airlines based on the unrounded results of the computations under Section 304(B). The remaining Preferential Use Gates shall be allocated in priority order by first increasing by one (1) the number of Preferential Use Gates to be offered to the Signatory Airline whose unrounded product is nearest to 0.5 without equaling or exceeding 0.5 and next proceeding to increase by one (1) the number of Preferential Use Gates to be offered to the Signatory Airline whose unrounded product is second nearest to 0.5 without equaling or exceeding 0.5 and so on until the total number of Preferential Use Gates to be made available to all Signatory Airlines by City is reached.

D. If as a result of rounding, the total number of Preferential Use Gates to be offered to all Signatory Airlines as computed in Section 304(B) exceeds the total number of Preferential Use Gates as determined under Section 303, City shall reduce the number of calculated Preferential Use Gates to be offered to Signatory Airlines based on the unrounded results of the computations under Section 304(B). The number of over-allocated Preferential Use Gates shall be reduced in priority order by first reducing by one (1) the number of allocated Preferential Use Gates to the Signatory Airline whose unrounded Section 304(B) product is nearest to 0.5 without being less than 0.5 and next proceeding to reduce by one (1) the number of Preferential Use Gates to be offered to the Signatory Airline whose unrounded Section 304(B) product is second nearest 0.5 without being less than 0.5 and so on until the total number of Preferential Use Gates to be made available to all Signatory Airlines by City is reached.

E. No later than December 1, 2010 and December 1 of each Fiscal Year thereafter during the Term, City shall provide written notice to all Signatory Airlines, including Airline, of its annual determination of Preferential Use Gates under this Section and shall offer each Signatory Airline the opportunity to be allocated the number of Preferential Use Gates indicated by these calculations. Each Signatory Airline shall provide written notice to City no later than February 1 of each Fiscal Year during the Term either accepting or rejecting any or all of the Gates offered to it by City for Preferential Use. The following provisions shall apply to rejected Gates:

(i) If a Signatory Airline does not accept the allocation of a Preferential Use Gate by February 1 of each Fiscal Year, the Signatory Airline rejecting such Gate may request the City to allocate such Preferential Use Gate to another Signatory Airline if, within the acceptance period, the following two conditions are met: (a) the Signatory Airline rejecting the Preferential Use Gate has a written handling agreement with the Signatory Airline accepting allocation of the rejected Preferential Use Gate, and (b) the Signatory Airline accepting allocation of the rejected Preferential Use Gate demonstrates to the City's satisfaction that it needs the rejected Preferential Use Gate reasonably to accommodate the rejecting Signatory Airline's flights, in which case the Gate shall be allocated to that other Signatory Airline as a Preferential Use Gate. Alternatively, if any Signatory Airline does not accept the allocation of a Preferential Use Gate, City may elect to reallocate such Gate to another Signatory Airline if City determines the number of Common Use Gates determined in Section 303 is adequate to accommodate all Air Carrier operations needing to use Gates at the Airport. The City may reallocate such Gates until all Gates available for use as Preferential Use Gates are allocated to Signatory Airlines or rejected for use as Preferential Use Gates.

F. Any Gate rejected for allocation during a Fiscal Year as a Preferential Use Gate by all eligible Signatory Airlines may be deactivated or used during such Fiscal Year as City sees fit, including, without limitation, as a Common Use Gate. Only Gates leased to a Signatory Airline as a Preferential Use Gate or Joint Use Gate in such Fiscal Year and included as part of its Demised Premises for such Fiscal Year are included in the determination of Airline Leased Space for the Fiscal Year.

G. The City shall, in its sole discretion, determine the locations of any Preferential Use Gates to be offered to a Signatory Airline, after taking into consideration the compatibility of such Signatory Airline's aircraft with the Gate being assigned and the desirability of assigning contiguous Gates within the same Terminal for Preferential Use by any given Signatory Airline and minimizing the frequency of changes in the locations of Preferential Use Gates as well as any recommendations by the RMAC. By March 1, 2011 and March 1 of each Fiscal Year thereafter during the Term, City shall provide Signatory Airlines, including Airline, notice of the assignments of Preferential Use Gates and the locations of Common Use Gates, to be effective July 1, 2011 and July 1 of each Fiscal Year thereafter. Such notice shall be deemed to update Exhibit D hereto without the need for an amendment of this Agreement.

Section 305 City Scheduling Rights at Preferential Use Gates.

A. The City shall have the right, upon reasonable notice to Airline, to schedule arrivals and departures by a Requesting Airline at a Preferential Use Gate at all periods of time

other than Airline's Periods of Use of that assigned Preferential Use Gate. In accommodating City in its right to schedule such operations at a Preferential Use Gate, Airline shall allow and provide for use of its facilities or equipment (not including ground service equipment) at the Preferential Use Gate or permit use of City equipment and podiums as may be required for the efficient use of the Preferential Use Gate by a Requesting Airline. The City shall first, whenever it is practical to do so, consider the availability of Common Use Gates and any recommendations by the RMAC before scheduling Requesting Airline arrivals and departures at any Preferential Use Gate. Notwithstanding the foregoing and any other provision of this Article 3, City shall have the right, upon reasonable notice to Airline, to accommodate arrivals and departures by a Requesting Airline at a Preferential Use Gate during Airline's Periods of Use of that Preferential Use Gate if Airline is not utilizing the Preferential Use Gate during the Period of Use for a Scheduled Operation. If an arrival or departure of Airline that would have utilized one of Airline's Preferential Use Gates is early or late and Airline is prevented from utilizing any of its Preferential Use Gates because they are already being utilized by Requesting Airlines, City shall, whenever possible, accommodate Airline's arrival or departure on a Common Use Gate at no additional charge to Airline for its use of the Common Use Gate, and Airline shall continue to be entitled to the credit referenced in Section 306.

B. Airline shall have no scheduling preference during a Period of Use at its Preferential Use Gates under this Article 3 for any operation other than a Scheduled Operation.

Section 306 Charges for Use of Preferential Use Gate by Another Air Carrier. Any Requesting Airline that is accommodated at any of Airline's Preferential Use Gates shall be required to pay City the same charges for use of the Preferential Use Gate that it would have been required to pay for use of a Common Use Gate. The City shall provide a credit to Airline for one-half of the amount of any such Gate-use payment.

Section 307 Gate Accommodation Conditions. As a condition of accommodation on any of Airline's Preferential Use Gates, the Requesting Airline shall have executed an agreement with City that is substantially in the form of the Lease and Use Agreement or an Operating Permit, as applicable, through which the Requesting Airline is bound by insurance and indemnification obligations that are substantially similar to the obligations set forth herein. These insurance and indemnification obligations shall inure to the benefit of the Airline as a third-party beneficiary for any period of accommodation, and Airline shall not be required to accommodate a Requesting Airline at its Preferential Use Gates if the Requesting Airline's insurance and indemnification obligations are not satisfied.

Section 308 City's Control of Common Use Gates, Ticket Counters and Support Facilities. The City shall retain exclusive control of the use of all Common Use Gates, Common Use Ticket Counters and Common Use Support Facilities, provided that Common Use facilities in the IT shall be managed and scheduled by the applicable Terminal Company in accordance with the applicable Gate and Ticket Counter Management Protocols.

Section 309 Initial Determination by City of Common Use Ticket Counters and Support Facilities.

A. Airline acknowledges that as of the Effective Date, City has identified the ticket counters and Support Facilities to be designated for Common Use described on the attached Exhibit B.

B. During the Term, if in the Director's reasonable discretion an adjustment to the location or number of Common Use Ticket Counters and Common Use Support Facilities would be desirable, the Director may designate for Common Use additional ticket counters and Support Facilities. The Director may also change ticket counters and Support Facilities from Common Use to Joint Use or Exclusive Use for lease to Signatory Airlines.

Section 310 Charges for Common Use Gates, Ticket Counters and Support Facilities. City shall determine the fees for the use of Common Use Gates, Common Use Ticket Counters and Common Use Support Facilities as part of its annual determination of Airport fees.

Section 311 Shared Use Equipment. The City reserves the right to install Shared Use Equipment at all Common Use and Joint Use Gates and Ticket Counters on a position-by-position basis. Airline shall remove any of its computer equipment installed at a Common Use or Joint Use Gate or Ticket Counter upon thirty (30) days written notice from Director. Any such removal of computer equipment installed by Airline during the Term of this Agreement shall be subject to the provisions of Section 1601.

Section 312 Self-Service Devices. Airline may only install proprietary self-service devices for passenger processing at ticket counters within Airline's Exclusive Use Space, which installation shall be subject to the Director's approval. Airline shall remove any proprietary self-service devices built within such ticket counters when those counter spaces are later surrendered by Airline or reclaimed by City in accordance with Sections 212, 213 or 214. Any removal of self-service devices installed during the Term of this Agreement shall be subject to the provisions of Section 1601 hereof. All freestanding self-service devices will be considered on a case by case basis, at the Director's sole discretion, including requests to install proprietary freestanding self-service devices in a Domestic Terminal adjacent to Exclusive Use Space or at a Preferential Use Gate. Requests by a domestic Air Carrier to install proprietary freestanding self-service devices in the IT at dedicated check-in positions in a dedicated ticket aisle (i.e. operated solely by such Air Carrier) will be considered on a case by case basis, at the Director's sole discretion.

ARTICLE 4. RENTALS AND FEES

Section 401 Reports and Payments. Airline and City shall deliver the reports and notices regarding Airline Rates and Charges as set forth below, and Airline shall pay to City, without demand or notice other than any invoices provided by City hereunder, and without deductions or set-off, for the use of all premises and facilities, easements, rights, licenses and privileges granted hereunder, the following rentals, fees and charges during the Term hereof:

A. Notice of Rates and Charges. Not later than sixty (60) days prior to the beginning of each Fiscal Year on July 1, City shall transmit to Airline a notice of the proposed rates and charges for said Fiscal Year. Within ten (10) days following the Commission's

approval of the final rates and charges for the Fiscal Year, City shall transmit to Airline a notice of such final rates and charges for the ensuing Fiscal Year.

B. Payment of Rentals. Airline shall render payment of Terminal Area Rentals not later than the first day of each month for which they are due or shall be due, without demand or invoice.

C. Monthly Activity Reports; Payment of Landing and Other Fees.

(i) Airline shall, within fifteen (15) days following the end of each calendar month, transmit to City separate Activity Reports for itself and each of its Affiliate Airlines certifying for said month (1) the data necessary, including actual Revenue Aircraft Arrivals by type of equipment, to calculate the amount of Landing Fees incurred by Airline and its Affiliate Airlines during such month, (2) the number of enplaned and deplaned revenue and non-revenue passengers for Airline and its Affiliate Airlines, (3) the data on actual enplaned and deplaned cargo by cargo type for Airline and its Affiliate Airlines, (4) the data necessary on actual jet bridge usage activity to calculate the amount of jet bridge usage fees incurred by Airline and its Affiliate Airlines, (5) any other information required by the Joint Use Formulas applicable to Airline and its Affiliate Airlines, (6) other required Billing and Operational Information, and (7) data required to calculate the projection of Non-Airline Revenues necessary for determining airline required revenue, the analysis and forecasting of air traffic, and Airport performance metrics.

(ii) In accordance with Sections 403 and 503, Airline shall calculate such Landing Fees incurred during said month and shall pay such amount on behalf of itself and its Affiliate Airlines within fifteen (15) days after the end of each calendar month, without demand or invoice from City, at the same time it submits the Activity Report. The acceptance by City of any such payment shall not preclude City from questioning the accuracy of Airline's Activity Report submitted to City as provided herein and upon which the Landing Fees are based.

D. Failure to Transmit Activity Report. In the event that Airline fails to transmit to City the Activity Report with data necessary to calculate the amount of Landing Fees incurred by Airline and its Affiliate Airlines during said month, City shall compute and bill Landing Fees based upon data available as though the Revenue Aircraft Arrivals and other data were the same as during the highest month in the immediately preceding Fiscal Year or in the current Fiscal Year, whichever is higher. After receipt of the delinquent Activity Report from Airline, City shall recalculate Landing Fees for the month in question based upon the Activity Report. If the actual Landing Fees are higher than the Landing Fees paid by Airline, the deficiency shall be billed by City to Airline, as applicable. If the actual Landing Fees are less than the Landing Fees paid by Airline, the excess shall be credited by City to Airline. In the event that Airline fails to deliver the Activity Report when due, Airline's proportionate share of fees and charges, where applicable under this Agreement, may be determined at the option of City as though the number of passengers or level of usage were the same as during the highest month during the immediately preceding Fiscal Year or in the current Fiscal Year, whichever is higher.

E. Electronic Reporting, Billing and Payment Systems. City may elect to implement one or more electronic reporting, billing and/or payment systems to collect Airport activity information, disseminate billing information and process payments as an alternative to the methods described above. If City elects to utilize any such systems during the Term of this Agreement, Airline shall make every reasonable effort to comply with the requirements applicable thereto. Airline shall continue to provide Activity Reports and payments as described above until such time as Airline commences use of any such electronic systems as implemented by City.

Section 402 Rent and Usage Fees.

A. As to all Exclusive Use Space and Preferential Use Space, from and after the Effective Date, Airline shall pay to City on a monthly basis as rental for such space, the product of the number of square feet comprising such space and the rate in effect from time to time for the Space Category comprising such space, as designated in Section 502(D). With respect to rent for Preferential Use Gates (i.e. holdrooms), please see Section 402(C) below.

B. Airline's Space Categories and square footage designated as "I", "II", "III", "IV" and "V" are assigned relative weighting values as described in Section 502(D) and are shown on Exhibit D.

C. The square footage of Preferential Use Gate space shall be based on an average square footage for Preferential Use Gates derived from the total demised square footage of Preferential Use Gates accepted by Signatory Airlines in each boarding area divided by the total number of Preferential Use Gates accepted by Signatory Airlines in each boarding area. Airline's Preferential Use Gate square footage for purposes of rental payments under Section 402(A) shall be based on the product of the Preferential Use Gate average square footage for each boarding area and the number of Preferential Use Gates accepted by Airline in each such boarding areas under Article 3. The Preferential Use Gate average square footage for each boarding area and Airline's Preferential Use Gate square footage shall be reviewed and, if required, adjusted each Fiscal Year in accordance with Gate assignments under Article 3.

D. Airline acknowledges and agrees that the rental rate for all Demised Premises is subject to adjustment from time to time based on changes to the Airport's rates and charges. For illustrative purposes, the attached Exhibit K describes the rent amounts applicable to Airline's Exclusive Use Space, Joint Use Space and Preferential Use Space as of the execution date of this Agreement.

E. As to all Joint Use Space, Airline shall pay to City on a monthly basis as rental for such space its proportionate share according to the applicable Joint Use Formula of the category rent applicable to such area.

F. Should Airline be allowed by City to make use of a Common Use Gate, a Common Use Ticket Counter, or Common Use Support Facilities, Airline shall pay to City, when invoiced by City for such use, the applicable use charges in effect at the time of such use, as determined by the City in accordance with Exhibit F. City reserves the right to modify the

calculation of Common Use fees from time to time following consultation with the Signatory Airlines.

Section 403 Landing Fees. From and after the Effective Date, with respect to each month, Airline shall pay the sum of the Landing Fees applicable to each Revenue Aircraft Arrival of Airline and its Affiliate Airlines that occurred in such month. With respect to each Revenue Aircraft Arrival, the Landing Fees shall equal the higher of (i) the product of the Maximum Landing Weight for a Revenue Aircraft Arrival and the Landing Fee Rate; or (ii) the minimum landing fee for a Revenue Aircraft Arrival established by City from time to time.

Section 404 Payment for Utilities.

A. Until July 1, 2013, charges to Airline for direct use electric power shall be calculated in accordance with the terms and provisions of the Stipulated Judgment entered into by and between Trans World Airlines, Inc., American Airlines, Inc., United Airlines, Inc. and City dated as of September 14, 1982, in Civil Action Nos. C-76-1386 RPA, C-76-1387 RPA and C-76-1388 RPA, United States District Court for the Northern District of California, which is incorporated herein by this reference. Such terms and provisions shall govern such calculations notwithstanding any portion of said Stipulated Judgment that might be construed to the contrary. On July 2, 2013, following the expiration of the Stipulated Judgment referenced above, the City reserves the right to continue providing electricity to Airline and other Airport tenants, and to charge legally established rates for such service.

B. City reserves the right to continue providing Airline and other Airport tenants with utility services, including gas, water, sewer, Information and Communications Technology, Shared Use Equipment, rubbish removal and other utilities and services, including, but not limited to, new technology-related services as provided in Section 803, and to charge Airline and other Airport tenants legally established rates for such utilities and services.

Section 405 Other Fees. City reserves the right to establish, modify and assess from time to time, and Airline agrees to pay, reasonable charges for the use of additional City-provided facilities, equipment and services including, but not limited to:

A. Use of Common Use Gates, Ticket Counters and Support Facilities calculated as described below and illustrated in Exhibit F:

(i) The Common Use fee and any fees determined under Subsection (A)(iii) for any Air Carrier shall be recalculated as provided in Section 310.

(ii) Narrow-body aircraft shall be charged 100% of the Common Use fee and wide-body aircraft shall be charged 115% of the Common Use fee.

(iii) Common Use fee revenue resulting from use of Common Use Gates in the IT shall be applied equally between Joint Use Space in the IT and any Terminal Company providing services in the IT, or as otherwise agreed between City and such Terminal Company. If no Terminal Company is providing services in the IT, such revenues shall be applied entirely to Joint Use Space in the IT.

B. Use of City-owned loading bridges and related equipment not being charged for through Common Use Gate fees, if applicable.

C. Use of other specialized Terminal Area equipment.

D. Use of designated aircraft parking sites.

E. Use of designated employee parking facilities by Airline's employees at rates established from time to time by City.

F. Terminal Area cleaning and other specialized services requested by Airline or permitted under this Agreement.

G. Security and personnel identification badges for Airline's personnel.

H. Office services, such as facsimile, photocopying, or telephone provided by City. Charges for these services shall be at the rates that City customarily charges for such services.

Section 406 Payment Details. All payments hereunder shall be paid at the office of Director, or at such other place as Director may from time to time designate in writing. All amounts shall be paid in lawful money of the United States, free from all claims, demands, set-offs, or counterclaims of any kind. Any amounts not paid when due shall be subject to a service charge equal to the lesser of the rate of one and one half percent (1.5%) per month and the maximum rate permitted by law. Acceptance of any service charge shall not constitute a waiver of Airline's default on the overdue amount or prevent City from exercising any of the other rights and remedies available to City.

Section 407 Prepayment of Terminal Area Rentals/Landing Fees. Notwithstanding anything to the contrary herein, in the event Airline shall fail to pay any amount, including Terminal Area Rentals and Landing Fees when due hereunder (whether for itself or its Affiliate Airlines), Director shall have the right to require Airline to pay estimated Terminal Area Rentals, Landing Fees, and all other amounts due hereunder in advance of the month during which the same shall accrue. For Landing Fees and other fees based on usage, prepayment shall be based on the highest previous fees charged to Airline in the previous 12 months. The Director may exercise such right by giving written notice to Airline at any time after such default by Airline, regardless of whether the same is cured by Airline.

Section 408 Accounting. Airline shall maintain separate and accurate daily records of Airline's operations hereunder for a period of five (5) years, or, in the event of a claim by City, until such claim of City for payments hereunder shall have been fully ascertained, fixed and paid. All such books and records shall be kept in accordance with generally accepted accounting principles, consistently applied, showing in detail all business done or transacted in, on, about or from or pertaining to the Airport. Upon Director's written request, Airline shall make available immediately to City and/or its auditors any and all books, records and accounts pertaining to its operations under this Agreement.

ARTICLE 5. ADJUSTMENT OF AIRLINE RATES AND CHARGES

Section 501 Periodic Review. The Terminal Area Rentals and Landing Fees set forth in Article 4 shall be re-examined and re-adjusted annually in accordance with the provisions of this Article 5.

Section 502 Method of Adjusting Terminal Area Rentals. Not less than ninety (90) days before the end of the then-current Fiscal Year, Airline shall submit to City in writing any proposed additions to its Demised Premises for the ensuing Fiscal Year. Likewise, not less than ninety (90) days before the end of the then-current Fiscal Year, City shall submit in writing to the Signatory Airlines its budgetary forecast for the Terminal Area, Groundside Area and Utilities Area for the ensuing Fiscal Year. From such data and consistent with the Airport Cost Accounting System, City shall calculate the proposed Terminal Area Rentals for each Space Category for the ensuing Fiscal Year and shall forward such proposed Terminal Area Rental calculations to the Signatory Airlines not less than sixty (60) days before the end of the then-current Fiscal Year. City and Airline agree that in calculating Terminal Area Rentals for each Space Category, City shall comply with the following basic methods:

A. Calculation of Annual Basic Rentals:

(i) City shall calculate the estimated total annual Terminal Area costs (the "Terminal Area Expenses") in accordance with the Airport Cost Accounting System illustrated in Exhibit O, including the estimated Annual Service Payment derived in accordance with Section 502(B).

(ii) If City estimates a deficit or surplus in Section 505, City shall include the allocable portion of that deficit or surplus as an addition to Terminal Area Expenses for the ensuing Fiscal Year.

(iii) City shall divide the estimated total Terminal Area Expenses, as calculated in Subsections (A)(i) through (A)(ii), by the Gross Terminal Space in the Terminal Area to arrive at City's estimated Basic Rate per square foot for all Terminal Area Space.

(iv) City shall determine the aggregate Basic Rentals payable by the Signatory Airlines, including Airline, for Exclusive Use Space, Joint Use Space, or Preferential Use Space by multiplying City's estimated Basic Rate for all Terminal Area Space by the Airline Leased Space.

B. Calculation of Annual Service Payment:

(i) In each Fiscal Year during the Term of this Agreement, City shall include, as an item of expense in the budgetary forecast of Terminal Area Expenses, an amount equal to fifteen percent (15%) of forecasted Concession Revenues to fully compensate City for all indirect services, management and facilities provided by City in the operation of the Airport.

(ii) In the event that fifteen percent (15%) of Concession Revenues does not generate five million dollars (\$5,000,000) in any Fiscal Year, the Signatory Airlines, including Airline, agree that City may include, as an item of expense in the budgetary forecast of

Terminal Area Expenses for the ensuing Fiscal Year, an amount equal to the difference between fifteen percent (15%) of Concession Revenues and five million dollars (\$5,000,000).

C. Calculation of Rental Surcharge (Basic Rental Adjustment):

(i) City shall determine its cost of the Public Space by multiplying the Basic Rate per square foot, arrived at in Subsection (A)(iii) of this Section, by the amount of Public Space in the Terminal Area.

(ii) City shall compute revenues from all sources in the Terminal Area, other than the Basic Rentals to be paid by the Signatory Airlines, including Airline, pursuant to Subsection (A)(iv) of this Section, in accordance with the Airport Cost Accounting System illustrated in Exhibit O.

(iii) City shall also calculate any excess of revenues over expenses or any excess of expenses over revenues forecasted to result from its operation of the Groundside Area. Any net expense forecasted from operation of the Groundside Area shall be included in a surcharge calculation under Subsection(C). Any net revenues forecasted from operation of the Groundside Area shall be applied to the calculation of the Landing Fees as specified in Subsections of Section 503. In calculating net revenues or net expenses in the Groundside Area, revenues from parking facilities shall be applied to pay the following in the order specified: (1) parking facility expenses; (2) debt service allocable to parking facilities; (3) other Groundside Area expenses; (4) other Groundside Area debt service; and (5) the Annual Service Payment.

(iv) To the extent that the expenses in Subsection (C)(i) exceed the revenues in Subsection (C)(ii), a surcharge (the "Rental Surcharge") will result. The Signatory Airlines, including Airline, shall pay fifty percent (50%) of the Rental Surcharge in the form of a "Terminal Area Rental Surcharge." The remaining fifty percent (50%) of the Rental Surcharge shall be paid by the Signatory Airlines, including Airline, as a "Landing Fee Surcharge" during the ensuing Fiscal Year.

(v) If the net revenues in Subsection (C)(ii) exceed the expenses in Subsection (C)(i), a "Basic Rental Adjustment" will result. The Basic Rental Adjustment will be credited 100% to the Signatory Airlines, including Airline, as a reduction of their Basic Rentals as calculated in Subsections (A)(i) through (iv), above.

D. The sum of the Basic Rentals and the Terminal Area Rental Surcharge (or the Basic Rental Adjustment), hereinafter referred to as "Terminal Area Rentals," paid by all Signatory Airlines for Airline Leased Space, shall be converted to specific "Terminal Rental Rates" for the five (5) Space Categories as shown below:

<u>Category</u>	<u>Function</u>	<u>Relative Value</u>
I	Ticket Counters Holdrooms Service Counters and Kiosks	1.00

II	VIP Clubs and Lounges Baggage Claim Lobbies Baggage Service Offices Curbside Check-in Other Enclosed Space Departure Level and above	.75
III	Other Enclosed Space Arrivals Level and below Non-Public Offices and Other Enclosed Areas Arrivals Level and below	.50
IV	Inbound/Outbound Baggage Equipment Rooms	.25
V	Other Unenclosed space Covered Area – Ramp Level	.10

For any given Fiscal Year, the Terminal Rental Rates for the Airline Leased Space square footage shall be calculated as illustrated in Exhibit O.

E. Notwithstanding any other provision hereof, if, at any time during any Fiscal Year, the actual expenses (including debt service) in the Terminal Area and Groundside Area are projected by City to exceed by ten percent (10%) or more, for such Fiscal Year, the actual revenues in the Terminal Area and Groundside Area, Commission may increase the Terminal Area Rentals, after using commercially reasonable efforts to reduce expenses and upon sixty (60) days' notice to, and in consultation with, the Signatory Airlines, including Airline. The Signatory Airlines, including Airline, shall pay such additional rentals or such lesser amounts which shall equal such projected deficiency for the remaining months of the then-current Fiscal Year.

Section 503 Method of Adjusting Landing Fees. Not less than ninety (90) days before the end of the then-current Fiscal Year, each Signatory Airline (including its Affiliate Airlines) shall submit to City in writing its landed weight forecast for the ensuing Fiscal Year. Not less than ninety (90) days prior to the end of the then-current Fiscal Year, City shall submit in writing to the Signatory Airlines its budgetary forecast for the Airfield Area, Airport Support Area, Groundside Area, Terminal Area, Utilities Area and West of Bayshore Area (as provided in Article 6 hereof) for the ensuing Fiscal Year. From such data and consistent with the Airport Cost Accounting System, City shall compute the Landing Fee Rate for the ensuing Fiscal Year and shall forward such computations to the Signatory Airlines not less than sixty (60) days before the end of the then-current Fiscal Year. City and Airline agree that the Landing Fee Rate shall be computed in accordance with the following basic methods:

A. City shall compute the revenues forecast to be received from all sources other than the Signatory Airlines under this Agreement from the Airfield Area, and the total expenses to be incurred in the Airfield Area. The excess, if any, of such expenses over such revenues ("Airfield Area Net Expense") shall be the basic cost element in the determination of Basic Landing Fees to be paid by the Signatory Airlines, including Airline, in the ensuing Fiscal Year.

B. City shall compute the projected revenues to be received and expenses to be incurred in the Airport Support Area in the ensuing Fiscal Year. The excess of such expenses over such revenues or any excess of such revenues over such expenses shall be included in the computations as an addition to or reduction of Airfield Area Net Expense.

C. If City estimates a deficit or surplus in Section 505, City shall include the allocable portion of deficit or surplus as an addition to Airfield Area Net Expense for the ensuing Fiscal Year.

D. After calculating Airfield Area Net Expense pursuant to the foregoing Subsections of this Section, City shall divide the resulting forecast of Airfield Area Net Expense by the composite landed weight forecast to arrive at the Basic Rate for the ensuing Fiscal Year.

E. Any net revenue forecasted from operation of the Groundside Area pursuant to Section 502(C)(iii) shall be applied to the Landing Fee Surcharge in Subsection (F).

F. If a Rental Surcharge is calculated in Subsection 502(C)(iii), then fifty percent (50%) of such Rental Surcharge shall be collected as a Landing Fee Surcharge during the ensuing Fiscal Year.

G. City shall divide the resulting forecast of Landing Fee Surcharge by the composite landed weight forecast provided by City based on information obtained from the Signatory Airlines, including Airline, to arrive at the Surcharge Rate for the ensuing Fiscal Year.

H. The sum of the Basic Rate and the Surcharge Rate shall equal the Landing Fee Rate for the ensuing Fiscal Year.

I. The sum of the Basic Landing Fees and the Landing Fee Surcharge shall equal the Landing Fees for the ensuing Fiscal Year.

J. Notwithstanding any other provision hereof, if at any time during any Fiscal Year, the actual expenses (including debt service) in the Airfield Area and Airport Support Area are projected by City to exceed by ten percent (10%) or more, for such Fiscal Year, the actual revenues in the Airfield Area and Airport Support Area, Commission may increase the Landing Fees, after using commercially reasonable efforts to reduce expenses and upon sixty (60) days' notice to, and in consultation with the Signatory Airlines, including Airline. The Signatory Airlines, including Airline, shall pay such additional Landing Fees or such lesser amounts that shall equal such projected deficiency for the remaining months of the then-current Fiscal Year.

K. City shall charge non-Signatory Airlines (excluding Affiliate Airlines which shall pay the Landing Fees available to Signatory Airlines) a twenty-five percent (25%) premium on Landing Fees.

Section 504 Review of Adjusted Rentals and Fees.

A. Unless otherwise requested by a Majority-in-Interest, Director shall call a meeting with the Signatory Airlines to be held not less than fifteen (15) nor more than thirty (30) days after forwarding, pursuant to Sections 502 and 503, the Terminal Area Rentals and Landing

Fee Rate proposed for the ensuing Fiscal Year for the purpose of reviewing such rentals and fees with the Signatory Airlines. City understands and agrees that, in advance of the said meetings, it shall make available to the Signatory Airlines any additional information reasonably requested by them regarding the budgetary forecasts forwarded pursuant to Sections 502 and 503. The City shall give due regard to any comments offered by the Signatory Airlines on the proposed calculations of the Terminal Area Rentals and Landing Fee Rate for the ensuing Fiscal Year. Within thirty (30) days after the meeting, or the forwarding of the rentals and fees to the Signatory Airlines if no meeting shall be held, the rentals and fees, as calculated by City in accordance with this Agreement and the Master Bond Documents, shall become effective.

B. Airline and City agree that the time periods for notices, meetings, exchanges of information and for the establishment of the Terminal Area Rental Rates and the Landing Fee Rate as provided for in this Article 5 may be altered by the Commission if deemed by the Commission to be necessary to meet the time requirements of City's annual budgetary process; provided, that the number of days allocated for Signatory Airline review of data submitted by City shall not, without good cause, be reduced; and, provided further, that the Commission and the City shall use commercially reasonable efforts to establish Terminal Area Rental Rates and Landing Fee Rate for any Fiscal Year within one hundred twenty (120) days following the commencement of the Fiscal Year for which rates are being developed, and, when so finally determined, such rentals and fees shall be made retroactive to the first day of such Fiscal Year.

Section 505 Reconciliation of Airline Rates and Charges and Application of Prior Period Deficits (Surpluses).

A. As part of City's preparation of its annual audited financial statements, City shall calculate any deficit or surplus in Airline Rates and Charges using actual expenses (including the amount, if any, required to meet the Rate Covenant in the Master Bond Documents for such Fiscal Year) and Non-Airline Revenues to determine any deficit or surplus in the amount of Airline Rates and Charges. Any such deficit or surplus would be recorded as part of that Fiscal Year's financial data and would result in an adjustment to the amount carried on the balance sheet as the Deferred Aviation Revenue liability (or receivable, if appropriate).

B. The Deferred Aviation Revenue liability (or receivable, if appropriate) balance shown at the end of the preceding Fiscal Year, together with any deficit or surplus estimated in the budgetary forecast for Airline Rates and Charges during the then-current Fiscal Year, would constitute the amount of deficit or surplus available to be applied in the ensuing Fiscal Year.

C. If the determination referenced in Subsection (B) above results in an estimated deficit for the then-current Fiscal Year and this deficit exceeds or will exceed the total budgetary forecast by five percent (5%), then the Signatory Airlines must be advised in writing at the time that City becomes aware of the aforementioned deficit.

D. The amount of deficit or surplus determined by City to be applied to the calculation of the ensuing Fiscal Year's Airline Rates and Charges will be allocated between adjusted Terminal Area Expense and Airfield Area Net Expense in proportion, respectively, to Terminal Area Rentals and Landing Fees to total Airline Rates and Charges.

ARTICLE 6. CAPITAL IMPROVEMENTS

Section 601 Financing of Capital Improvements.

A. Except as provided in Subsection (B) hereof, City agrees to use commercially reasonable efforts to finance Capital Improvements through the use of grants, TSA funding and PFCs, and through the issuance of Airport Revenue Bonds. City may, in its discretion, finance through the issuance of Airport Revenue Bonds: (i) Capital Improvements with a useful life of less than three (3) years but more than one (1) year or a cost of less than the Charge Trigger Amount, and (ii) maintenance or operating expenses or other expenses.

B. During the Term of this Agreement, no Capital Improvement provided for in this Section or Section 602 shall be financed from current revenues; provided, however, the Commission may appropriate from current revenues up to four million two hundred thousand dollars (\$4,200,000) in Fiscal Year 2008/2009 dollars, as adjusted by the Index, in any Fiscal Year, for use pursuant to Sections 16.104(b)(5) and (6) of the City Charter (or any successor legislation) or such additional amounts as may be approved by a Majority-in-Interest.

Section 602 Review of Capital Improvements.

A. Any Capital Improvement, which would result in a charge to Airline in the Terminal Area Rentals or Landing Fees, having a cost in excess of the Charge Trigger Amount, excluding any capital improvements made in the development of the West of Bayshore Area, are subject to the provisions of paragraph B and C of this Section unless:

(i) The Capital Improvement is required by a federal or State agency having jurisdiction over Airport operations;

(ii) The Capital Improvement is financed by the issuance of Special Revenue Bonds; or

(iii) The Capital Improvement is of an emergency nature, which, if not made, would result in the closing of the Airport within forty-eight (48) hours.

The cost of each Capital Improvement shall include the cost of planning and design, if any.

B. Unless the Capital Improvement meets one of the conditions set forth in Subsections (A)(i), (A)(ii) or (A)(iii) of this Section, the Signatory Airlines shall be notified in writing of the proposed Capital Improvement and the decision of a Majority-in-Interest whether or not to object to the Capital Improvement shall be forwarded to City within forty-five (45) days of the Airport providing full information to Signatory Airlines on the proposed project in substantially the form set forth in Exhibit Q (as such form may be revised by City from time to time). The Director, at his or her sole discretion, may extend the forty-five (45) day period for the Majority-In-Interest to file objection. Airline covenants that, in the exercise of its discretion regarding objections to Capital Improvements, it will base its decision upon prudent judgment and sound airport management policies.

C. City shall not proceed with any Capital Improvement that has been objected to by a Majority-in-Interest for a period or periods specified by the Signatory Airlines not to exceed six (6) months in the aggregate from the date of the Signatory Airlines' notice of objection to said Capital Improvement proposal. During such time, the Signatory Airlines may develop and present their opposition to said Capital Improvement to the Commission at a public hearing, or otherwise. At the end of such six (6) months period, City may proceed with the Capital Improvements notwithstanding objection by a Majority-in-Interest.

D. City may pledge Revenues as further security for Special Revenue Bonds, or issue Airport Revenue Bonds to refund Special Revenue Bonds, if (i) the Signatory Airlines are notified in writing of the proposed pledge or issuance, and (ii) the Majority-in-Interest approves the pledge or issuance within forty-five (45) days of the mailing to Signatory Airlines of the notification. City shall not proceed with any such pledge or issuance that is not so approved by a Majority-in-Interest.

Section 603 Development of West of Bayshore Area.

A. The Signatory Airlines shall have no responsibility for and shall not bear, directly or indirectly, any costs involved in developing the West of Bayshore Area, such costs to include expenses associated with any architectural, engineering and other consultant studies, and evaluations or reports related to potential development projects. The Signatory Airlines recognize, however, that the maintenance costs of the property in its current undeveloped state will be attributed to the Airport and that such costs are included in calculations to determine Landing Fee Rates. It is understood and agreed that maintenance costs for the whole or portions of the West of Bayshore Area shall continue to be attributed to the Airport only until the commencement of development (as evidenced by physical work performed in the West of Bayshore Area) of the West of Bayshore Area or such portion(s) thereof or its lease, sale or other transfer to any other department of City or any other entity.

B. After the commencement of development of the West of Bayshore Area or portions thereof or its lease, sale or other transfer, said West of Bayshore Area or portions thereof shall be developed, operated and maintained solely with non-Airport revenues, and without Airport revenues being pledged directly or serving indirectly as security for debt incurred for such purposes. Except as otherwise provided in this paragraph, the Signatory Airlines will have no claim to any revenues generated by the West of Bayshore Area as a result of its development, nor any control or claim as to the manner in which City uses, transfers, diverts or disposes of such revenues, nor any right to approve or challenge the development, transfer, sale, leasing or other disposition of the West of Bayshore Area or any part thereof. Claims to the benefits of development in the West of Bayshore Area or requirements of approval or support by any persons or authorities other than the Signatory Airlines is the sole responsibility and risk of City.

C. The Commission, the Board and the City agree that any development of the West of Bayshore Area shall be in a manner consistent with maintaining the integrity of the Cost Centers and Airport revenues attributable thereto, as provided in this Agreement. The Commission and the City agree not to relocate present Airport businesses or concession operators to the West of Bayshore Area or induce prospective businesses or concession operators

to locate within the West of Bayshore Area rather than the Airport to the detriment of Airport revenues or the Signatory Airlines and further agree that any lease, sale or other transfer of the property will contain these covenants.

D. Notwithstanding the foregoing, it is agreed that City may develop a hotel, office complex, shopping center, or warehousing in the West of Bayshore Area and may locate any other business facility or concession in the West of Bayshore Area that City has made a good faith effort to locate or accommodate on the Airport and which cannot be physically so located or accommodated. Parking facilities, if any, shall not be made available to the public at rates below those in effect, from time to time, at Airport remote parking lots.

ARTICLE 7. MISCELLANEOUS COVENANTS OF CITY

Section 701 Prudent Operation. City covenants that it will efficiently manage and operate the Airport on the basis of sound business and airport management principles in effect at airports of comparable size in the continental United States and with efficient and prudent control of all capital and operating expenses.

Section 702 Revenues From Non-Airline Sources. Consistent with the provisions of Section 701, City agrees that it will use commercially reasonable efforts to operate the Airport in a manner consistent with its strategic marketing and public relations plans in order to maximize revenues from concessionaires, lessees and other non-airline users; provided, however, that City will not permit the installation of concession facilities in such a manner or at such locations in the Terminal Area as will materially obstruct traffic or impede Airline's ability to perform the functions enumerated in Section 202.

Section 703 Airfield Area Users. City agrees that it shall require all users of the Airfield Area to pay for their use thereof. The portion of Airfield Area expenses payable through fees to be charged to other than Signatory Airlines and their Affiliate Airlines may be based on some collection method other than a per-thousand-pounds landing fee rate, but whatever the method of payment, whether it be by aviation fuel through-put charges paid to City or by minimum flat-rate landing fees or other means, the amounts so paid to City shall be credited to the Airfield Area or to the Airport Support Area, as appropriate, so as to reduce the amount of Airfield Area Net Expense to be collected from the Signatory Airlines and their Affiliate Airlines through Landing Fees. City agrees that it will adjust such fees charged to users of the Airfield Area other than the Signatory Airlines and their Affiliate Airlines from time to time to reflect its changing costs due to inflation, improvements, betterments or increased demands placed upon the Airfield Area facilities.

ARTICLE 8. PIPELINES AND UTILITIES

Section 801 Reservations by City. It is understood and agreed that Commission acting on behalf of City reserves and retains the right, with reasonable advance notice to Airline, to construct, reconstruct, install, repair, remove, renew, operate and use pipelines, utility lines, roadways, or structures for Airport purposes across, over, or under any of Airline's rights of way or Demised Premises, but Airline's enjoyment of its rights of way or Demised Premises shall not be unnecessarily interfered with.

Section 802 Relocation of Pipelines. In the event that any pipeline, utility line or appurtenance installed by Airline be so located that it shall be necessary to change, alter, relocate or reconstruct same in order to allow City to install sewer or drain lines, such change, alteration, relocation or reconstruction of said pipeline shall be made as requested by Commission. The cost of such change, alteration, relocation or reconstruction of said pipelines shall be borne by Commission as an Airport expense.

Section 803 Information and Communications Technology; Utilities.

A. City has provided or shall provide in or in the vicinity of the Demised Premises the following utility services: water, electricity, Information and Communications Technology, Shared Use Equipment, sewage outlets, heating, ventilation, and air conditioning of the Demised Premises as indicated in the plans and specification thereof. Airline shall ascertain from City, and City shall make available, the information as to the points at or near the Demised Premises where such services will be brought by City at the cost and expense of the Commission as an Airport expense. All extensions of the facilities requested by Airline for said utility services from said points shall be at the sole cost and expense of Airline, unless other arrangements are made therefor. In the event of any change desired by Airline as to said points of supply by City, the expense of making such changes shall be at the sole cost of Airline. Except as otherwise provided herein, and consistent with Section 404 of this Agreement, Airline shall pay the whole cost at legally established rates for all utility services and for such other special services which it may require in the Demised Premises. Airline shall not be charged for the supply of heating, ventilation, and air conditioning of the Demised Premises.

B. City agrees that supply points for utility services shall be generally equal for all Signatory Airlines, including Airline.

ARTICLE 9. DEVELOPMENT, MAINTENANCE, AND OPERATION OF AIRPORT

Section 901 Operation of Airport. City agrees that it will develop and improve and at all times maintain and operate with adequate and efficient personnel and keep in good repair the Airport (other than the Demised Premises which Airline is required to maintain and repair in accordance with Section 902) and the appurtenances, facilities, and services now or hereafter connected therewith, and that it will keep the Airport and its approaches free from obstruction, and will maintain and operate the Airport so as to entitle it to the approved certification and rating by the FAA and all other appropriate regulatory authorities in respect to all present operations of Airline. It is expressly understood that City will keep the Public Space in the Terminal Area in a clean, neat, safe and sanitary condition and attractively furnished and shall be responsible for and shall furnish in the Public Space and the Demised Premises the services and maintenance indicated on Exhibit C. It is likewise expressly understood that Airline will perform its responsibilities as indicated on Exhibit C in a diligent manner conducive to the best operation of the Airport.

Section 902 Condition of Demised Premises and Janitorial Services. Except as otherwise set forth in Section 901 and Exhibit C, Airline agrees to repair and maintain the Demised Premises, including the fixtures and equipment which are a part thereof, in a clean, neat, safe and sanitary condition, and in good order, at all times, except for damages or loss due to reasonable wear and

tear, fire or other casualty or other cause beyond Airline's control. All waste matter shall be stored in compliance with applicable Environmental Laws and Airport Rules, and Airline agrees to arrange for the daily disposal, at its expense, of all waste material, except in the case of special agreement with Director. All lawful requirements of the County or State Board of Health, relating to health or sanitary regulation adopted by any legal authority with jurisdiction, shall be fully met by Airline, and Airline upon request shall give access for inspection purposes to any duly authorized representative of said legal authority or of City. Except as otherwise set forth in Exhibit C (which provides that, subject to Section 701, City shall furnish the janitorial services, window washing, and cleaning, maintenance, replacement and repair of carpets and seating (but not equipment) in holdrooms and baggage claim lobbies), janitorial services, carpet cleaning, maintenance and repair and window washing on the Demised Premises will be furnished by Airline. Airline expressly waives all rights to make repairs at the expense of City, to vacate the Demised Premises, or to terminate this Agreement for failure by City to keep the Demised Premises in good order, condition or repair as provided for in Sections 1941 and 1942 of the California Civil Code.

Section 903 Airline Improvements.

A. Airline shall, at its sole expense, install all Alterations which Airline deems necessary for the use of the Demised Premises and which are not supplied by City. Airline shall not make or suffer to be made any Alterations without Director's prior written consent. Airline shall cause all such Alterations to be performed in a workmanlike manner, in compliance with the requirements of the Airport TI Guide and Section 907. Without limiting the generality of the foregoing, all Alterations shall conform to Commission's established architectural design scheme for the Airport, and may require the approval of the Airport's Design Review Committee. Prior to the construction of any Alterations, Airline shall submit detailed plans and specifications to the Director for approval. Airline shall include with its plans and specifications schematic renderings of the common area, materials, and a color board. Director's approval rights will extend to and include architectural and aesthetic matters and City reserves the right to reject any designs submitted and to require Airline to resubmit designs until they meet Director's approval. In the event of disapproval by City of any portion of the plans and specifications, Airline will promptly submit necessary modifications and revisions thereof. No changes or alterations will be made in said plans or specifications after approval by Director. City agrees to act within a reasonable period of time upon such plans and specifications and upon requests for approval of changes or alterations in said plans or specifications. One copy of plans for all proposed Alterations will, within fifteen (15) days after approval thereof by Director, be signed by Airline and deposited with City as an official record thereof. All Alterations shall be effected through the use of contractors approved by Director who shall furnish to Director upon demand such completion bonds and labor and material bonds as Director may require so as to assure completion of the Alterations on a lien-free basis. Without limiting the requirements set forth above, Airline acknowledges and agrees that Airline may be required to obtain approvals for any desired Alterations from the Airport's Building Inspection and Code Enforcement Section.

B. Airline shall obtain and pay all fees for building, mechanical, electrical and plumbing permits and like permits required by any legal authority having competent jurisdiction for any improvements or additions requiring construction in the Demised Premises. Airline shall, upon request of Director, exhibit to City all certificates and permits required by the laws of

any legal authority having jurisdiction. Airline agrees to give City advance written notice, which, except in the case of emergency repairs, shall be given at least three (3) days before commencing any construction, alteration or repairs on the Demised Premises in order that City may post appropriate notices of non-responsibility. Airline agrees that such notices may remain posted on the Demised Premises until completion and acceptance of such work. Airline shall also conduct a pre-construction conference with City before commencing any Alterations in the Demised Premises.

C. Except as provided in Section 1601 below, any Alterations of the Demised Premises, except movable furniture and trade fixtures, shall at once become a part of the realty and belong to City and shall be surrendered with the Demised Premises at the expiration of the Term hereof or any extension thereof, or upon earlier termination as provided for herein. Upon surrender of the Demised Premises, Airline shall provide City with current as-built drawings of the Demised Premises, or shall reimburse City for the cost of creating such as-built drawings.

D. If and to the extent that Airline's activities or proposed Alterations trigger an obligation or requirement on the part of City to make changes to the Airport premises (including ADA and ACAA requirements), Airline shall indemnify, defend, and hold harmless City from and against any and all losses, costs, claims and liabilities arising out of such activities or Alterations.

Section 904 Maintenance and Repair; Operator Training.

A. AIRLINE SPECIFICALLY ACKNOWLEDGES AND AGREES THAT ANY SPACE LEASED TO OR USED BY AIRLINE IS ON AN "AS IS WITH ALL FAULTS" BASIS AND THAT AIRLINE IS NOT RELYING ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, FROM CITY OR ANY CITY ENTITY, AS TO ANY MATTERS CONCERNING SUCH SPACE.

B. As to all Exclusive Use Space, Preferential Use Space and other Demised Premises (including Joint Use Space) (other than holdrooms and baggage claim lobbies) if and to the extent Airline is responsible for such Demised Premises pursuant to Section 902 and Exhibit C, Airline shall, at its own expense, (i) keep the Demised Premises in good repair and neat and clean condition at all times; and (ii) redecorate and paint the interior of the Demised Premises and replace electric light bulbs, worn carpeting or other floor coverings, curtains, draperies, blinds or other furnishings and equipment as their conditions may require.

C. Commission acting on behalf of City agrees, if and to the extent City is responsible pursuant to Exhibit C, to keep, operate and maintain the facilities and space described below in good condition and repair, and in a neat, clean and operating condition, including replacing all worn-out fixtures, furnishings, carpeting and other floor coverings, machinery and equipment as may be required:

(i) the Terminal Area, including, but not limited to, its foundation, structure, outside walls, roof and utility systems;

(ii) the Public Space and Common Use Space in the Terminal Area, including, but not limited to, the lobby, waiting rooms, passageways, nonexclusive baggage

handling space (except for baggage conveyor systems owned by Signatory Airlines), public restrooms, elevators and escalators, together with all fixtures, furnishings, and carpeting or other floor coverings located therein; and

(iii) the holdrooms and baggage claim lobbies in the Demised Premises.

D. City shall determine the training responsibility for any passenger loading bridges, baggage handling systems and other equipment owned by City and used or maintained by Airline or Airline Entity. When Airline is responsible for such training, City reserves the right to approve training content and to audit training records. Airline shall not permit any untrained personnel to operate or maintain any City-owned passenger loading bridges, baggage handling systems or equipment.

Section 905 Inspections; Audit of Operations.

A. Director may cause the Demised Premises and Airline's operations therein to be inspected at any time and from time to time in the presence of Airline or Airline Entity, to confirm that such operations comply with the requirements set forth herein. Airline shall cooperate with such inspection. In the event such inspection shows that Airline is not complying with such requirements, without limiting City's ability to call an Event of Default hereunder, City may require that Airline reimburse City for the costs of such inspection. Airline shall promptly remedy any noncompliance shown in any such inspection.

B. Director may cause the Airline's operations hereunder to be audited at any time and from time to time, with reasonable advance written notice and at a mutually agreeable time, and in the presence of Airline or its representative, to confirm that such operations comply with the requirements set forth herein. Airline shall cooperate with such audit. Airline shall be provided the opportunity to review and comment on the findings of such audit prior to finalization. In the event such audit shows that Airline is not complying with such requirements, without limiting City's ability to call an Event of Default hereunder, City may require that Airline reimburse City for the costs of such audit. Airline shall promptly remedy any noncompliance shown in any such audit.

C. This Section 905 shall not govern inspections or audits for compliance with Environmental Laws. Such inspections and audits are subject to the provisions set forth in Sections 2003 and 2006, respectively.

Section 906 Trespass and Security. Airline shall use reasonable precautions to prevent unauthorized persons from gaining access to restricted flight and public aircraft operational areas and all other nonpublic areas of the Airport. Further, Airline, its officers, employees, agents, and those under its control, shall comply with security measures (a) required of Airline by the FAA, TSA or City in accordance with applicable requirements of the FAA or the TSA or the City or their authorized successors, or (b) contained in any Airport master security plan approved by the FAA, TSA or City or their authorized successors. If Airline or any Airline Entity shall fail or refuse to comply with said measures and such non-compliance results in a monetary penalty being assessed against City, Airline shall be responsible for and shall reimburse City in the full