



San Francisco International Airport

**MEMORANDUM**

January 29, 2014

**TO: AIRPORT COMMISSION**  
Hon. Larry Mazzola, President  
Hon. Linda S. Crayton, Vice President  
Hon. Eleanor Johns  
Hon. Richard J. Guggenlime  
Hon. Peter A. Stern

**FROM: Airport Director**

**SUBJECT: Modification No. 2 to the Continental Airlines, Inc. 2011 Lease and Use Agreement No. L10-0275 to Terminate the Lease**

**DIRECTOR'S RECOMMENDATION: ADOPT RESOLUTION APPROVING MODIFICATION NO. 2 TO THE CONTINENTAL AIRLINES, INC. 2011 LEASE AND USE AGREEMENT NO. L10-0275, WHICH GRANTS AN EARLY TERMINATION OF THE LEASE**

**Executive Summary**

On March 31, 2013, United Air Lines, Inc. ("United Air Lines") merged with and into Continental Airlines, Inc. ("Continental") and, simultaneously, Continental was renamed United Airlines, Inc. ("United"). Prior to the merger, both United Air Lines and Continental became signatories to the 2011 Lease and Use Agreement pursuant to Lease No. L10-0097 (the "United Air Lines Lease") and Lease No. L10-0275 (the "Continental Lease"), respectively. Since the merger, United has been operating at the San Francisco International Airport under the United Lease and the Continental Lease has been dormant. United is now seeking the Airport Commission's (the "Commission") consent to terminate the Continental Lease, as a procedural matter, to be effective upon full City approval, pursuant to Modification No. 2 to the Lease.

**Background**

In October 2010, United Air Lines and Continental entered into an agreement to merge the two carriers resulting in the creation of United Continental Holdings, Inc., a holding company in which United Air Lines and Continental are separate, wholly owned subsidiaries. On March 31, 2013, United Air Lines merged with and into Continental, the surviving corporation. Immediately after the merger, Continental was renamed United Airlines, Inc. On April 2, 2013, the Commission formally consented to the merger pursuant to Resolution No. 13-0072.

THIS PRINT COVERS CALENDAR ITEM NO. 8

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE  
MAYOR

LARRY MAZZOLA  
PRESIDENT

LINDA S. CRAYTON  
VICE PRESIDENT

ELEANOR JOHNS

RICHARD J. GUGGENHIME

PETER A. STERN

JOHN L. MARTIN  
AIRPORT DIRECTOR

Prior to the merger, both United Air Lines and Continental became signatories to the 2011 Lease and Use Agreement, pursuant to the United Air Lines Lease and Continental Lease, respectively. Both leases will expire on June 30, 2021.

The Continental Lease provided for landing rights and terminal rental of approximately 37,052 square feet of Exclusive Use Space in Terminal 1. As a result of the merger, Continental moved to Terminal 3 in May 2011 and relinquished all Exclusive Use Space effective July 1, 2011, pursuant to Modification No. 1 to the Continental Lease, as approved by Commission Resolution No. 11-0091 and Board of Supervisors' Resolution No. 311-11. Since inception of the aforementioned leases, all landing fees for the combined operation have been paid through the United Lease and the Continental Lease has been dormant.

### **Proposal**

United is now seeking an early termination of the Continental Lease, by the Commission and Board of Supervisors, to be effective upon full City approval.

### **Recommendation**

I recommend adoption of the attached resolution which (1) approves Modification No. 2 to the Continental Airlines, Inc. 2011 Lease and Use Agreement No. L10-0275, which grants early termination of said lease, and (2) directs the Commission Secretary to forward Modification No. 2 to the Board of Supervisors for approval.



John L. Martin  
Airport Director

Prepared by: Leo Fermin  
Deputy Airport Director  
Business and Finance

### **Attachment**

JLM/DA:gp

bcc: admin/chron/doc/file/D. Artz/L. Peng/D. Serrano-Sewell

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