



CP 11

February 7, 2013

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

Subject: **APPROVAL OF LEASE WITH SOUTHWEST AIRLINES COMPANY
COVERING PREMISES LOCATED IN TERMINAL 1 AT LOS
ANGELES INTERNATIONAL AIRPORT.**

LAX

LA/Ontario

Van Nuys

City of Los Angeles

Antonio R. Villaraigosa
Mayor

**Board of Airport
Commissioners**

Michael A. Lawson
President

Valeria C. Velasco
Vice President

Joseph A. Aredas
Robert D. Beyer
Boyd Hight
Ann M. Hollister
Fernando M. Torres-Gil

Gina Marie Lindsey
Executive Director

In accordance with Section 606 of the City Charter, the Board of Airport Commissioners transmits for your approval the Lease with Southwest Airlines Company covering premises located in Terminal 1 at Los Angeles International Airport.

RECOMMENDATION FOR CITY COUNCIL

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

The Board of Airport Commissioners, at their meeting held on January 14, 2013 by Resolution No. 25009, approved the Lease with Southwest Airlines Company subject to the approval of your Honorable Body is attached.

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

CONCLUSION

Please return the attached Lease with Southwest Airlines Company to the Department of Airports' Board Office after City Council approval and Certification of that approval.

Very truly yours,

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

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





RESOLUTION NO. 25009

LAX

LA/Ontario

Van Nuys

City of Los Angeles

BE IT RESOLVED that the Board of Airport Commissioners approved a Terminal Facilities Lease and License Agreement with Southwest Airlines Company in Terminal 1 at Los Angeles International Airport, as referenced on the board report attached herein and made part hereof, which will generate approximately \$9,523,000 in revenue in the first year to Los Angeles World Airports; and

Antonio R. Villaraigosa
Mayor

Board of Airport
Commissioners

BE IT FURTHER RESOLVED that the Board has authorized the Executive Director or designee to execute said Terminal Facilities Lease and License Agreement upon approval as to form by the City Attorney and upon approval by the Los Angeles City Council; and

Michael A. Lawson
President

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

Valeria C. Velasco
Vice President

Joseph A. Aredas
Robert D. Beyer
Boyd Hight
Ann M. Hollister
Fernando M. Torres-Gil

BE IT FURTHER RESOLVED that this action is subject to the provisions of Los Angeles City Charter Section 606.

Gina Marie Lindsey
Executive Director

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I hereby certify that this Resolution No. 25009 is true and correct, as adopted by the Board of Airport Commissioners at its Special Meeting held on Monday, January 14, 2013.

Sandra J. Miller – Secretary
BOARD OF AIRPORT COMMISSIONERS





Los Angeles World Airports

Item Number
5

Report to the BOARD OF AIRPORT COMMISSIONERS

Approved by: Dave Jones – Terminals Business Management

Reviewed by: Debbie Bowers – Deputy Executive Director

Timothy J.
City Attorney

Gina Marie Lindsey
Gina Marie Lindsey - Executive Director

Meeting Date:

January 14, 2013

CAO Review:

☐ Completed
☒ Pending
☐ N/A

Reviewed for	Date	Approval Status	By
Capital Budget	11/16/12	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	DS
Operating Budget	01/03/13	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	11/08/12	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	AE
Contract Services	01/08/13	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> Cond	JPA

SUBJECT: Terminal Facilities Lease and License Agreement – Southwest Airlines Company

Approval of a Terminal Facilities Lease and License Agreement with Southwest Airlines Company in Terminal 1 at Los Angeles International Airport, which will generate approximately \$9,523,000 in revenue in the first year to Los Angeles World Airports.

RECOMMENDATIONS:

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1(18)(c) of the Los Angeles City CEQA Guidelines.
3. APPROVE the proposed Terminal Facilities Lease and License Agreement with Southwest Airlines Company in Terminal 1 at Los Angeles International Airport that will generate approximately \$9,523,000 in revenue in the first year to Los Angeles World Airports.
4. AUTHORIZE the Executive Director or her designee to execute the Terminal Facilities Lease and License Agreement with Southwest Airlines Company in Terminal 1 at Los Angeles International Airport subject to approval as to form by City Attorney and upon approval by the Los Angeles City Council.

DISCUSSION:

1. Executive Summary

Staff requests the Board of Airport Commissioners (Board) approve and authorize the Executive Director to execute the proposed Terminal Facilities Lease and License Agreement in Terminal 1 (Lease) at Los Angeles International Airport (LAX) with Southwest Airlines Company (Southwest). Concurrent with this action, Los Angeles World Airports (LAWA) and Southwest are seeking approval from the Board to enter into a Settlement Agreement which settles all outstanding litigation with Southwest.

Southwest intends to invest approximately \$400,155,000 renovating Terminal 1 at LAX. Southwest intends to spend an estimated \$16,147,000 for proprietary renovations in their Demised Premises. Pursuant to the lease, LAWA and Southwest have agreed to the following with respect to the remaining proposed renovations in the amount of \$384,008,000: (i) the Lease requires that Southwest sell, and that LAWA purchase, the non-proprietary airline improvements constructed in Southwest's Demised Premises in Terminal 1 in an amount not to exceed \$222,422,000 of which LAWA anticipates receiving approximately \$29,600,000 of funding from TSA for approved costs related to the design and construction of a new inline Checked Baggage Inspection System (CBIS) in Terminal 1 at LAX; (ii) the Lease requires Southwest to assist the Executive Director in relocating U.S. Airways which will be affected by Southwest's renovations and LAWA is to issue Southwest rental credits for an amount not to exceed \$14,657,000 to cover expenses related to relocation of US Airways Inc. from Terminal 1 to Terminal 3; and (iii) the Lease stipulates that LAWA shall have an option to purchase improvements made outside of Southwest's Demised Premises for an amount not to exceed \$146,929,000, subject to Board approval; however if LAWA does not exercise such option LAWA will issue rental credits in an amount not to exceed \$146,929,000 over the term of the lease for the value of such improvements.

The proposed Lease will generate approximately \$9,523,000 of revenue in the first year during the construction period. Subsequent rental rates will be determined with rates approved by the Board.

2. Prior Related Actions

Three distinct series of prior related actions are relevant to this request as follows:

Litigation and Rental Rate:

In response to increasing security costs, following protracted negotiations with the airlines operating at LAX, the Board approved a number of actions in late 2006 and early 2007 that were designed to recover the full amount of costs incurred maintaining and operating terminals (M&O Charges). On January 22, 2007, the Board approved the Los Angeles International Airport Passenger Terminal Tariff (Tariff) to recover such costs (Resolution No. 23198).

On February 16, 2007, Southwest, together with AirTran Airways, Alaska Airlines, Inc., ATA Airlines, Frontier Airlines, Midwest Airlines, and US Airways Inc. who constituted domestic airlines occupying space under the Tariff at LAX, filed an administrative complaint before the U.S. Department of Transportation (DOT) against LAWA (the case is referred to as "LAX III"). These airlines generally alleged that the new terminal charges under the Tariff were unreasonable and unjustly discriminatory.

On June 15, 2007, DOT issued its Final Decision. Thereafter the airlines and LAWA both filed petitions for review of the DOT Final Decision in the U.S. Court of Appeals for the District of Columbia Circuit. On August 7, 2009, the Court of Appeals issued its opinion and remanded certain issues to DOT for further consideration.

Rental Rate:

On September 17, 2012, the Board approved the following three items related to Rental Rates in the terminals at LAX: (i) a new rates and charges methodology applicable to airlines and other aeronautical users of passenger terminals at LAX (Board Resolution No. 24912); (ii) Revision No. 5 to the Tariff (Board Resolution No. 24913); and, (iii) a Blanket Resolution authorizing the Executive Director to enter into rate agreements with airlines and approved airline consortiums using Terminals at LAX (Board Resolution No. 24914).

TSA Funding:

As part of the proposed Lease, Southwest will design and construct a new inline CBIS in Terminal 1 at LAX. A portion of the CBIS design and construction costs may be eligible for TSA funding. In response to new security directives issued after September 11, 2001, LAWA implemented inline CBIS projects at LAX and Los Angeles/Ontario International Airport (LA/ONT). To support the costs to implement these projects, the TSA transmitted a Letter of Intent to LAWA to partially reimburse implementation costs.

On September 2, 2003, the Board authorized a Memorandum of Agreement (MOA) between LAWA and the TSA to reimburse up to 75% of costs related to design, management, and construction of inline CBIS projects at LAX and LA/ONT in an amount not to exceed \$256,467,000 (Board Resolution No. 22031). LAWA agreed to commit the remaining 25% funding necessary to complete the work. From this MOA, LAWA has received \$253,930,357 in TSA reimbursements for initial design studies conducted at LAX, construction of inline CBIS projects at Tom Bradley International Terminal (TBIT) and Terminal 3 at LAX, and design and construction of inline CBIS projects at LA/ONT.

To address the continued need for inline CBIS at LAX, LAWA and TSA entered into two additional funding agreements. On January 12, 2009, the Board approved OTA "HSTS04-09-H-CT1249" for the partial funding of architecture and engineering services to produce designs for the inline CBIS solutions for Terminals 1, 2, 4, 6, 7 and 8 in an amount not to exceed \$50 million (Board Resolution No. 23694). On December 21, 2009, the Board approved MOA "HTSS04-10-H-CT1022" for the partial funding of the design, engineering and construction related services for the inline CBIS solutions in Terminals 1, 2, 4, 6, 7 and 8 in an amount not to exceed \$150 million (Board Resolution No. 23978).

To date, LAWA has received receipts and obligations for the two TSA funding agreements totaling \$23,912,730, leaving a balance of \$176,087,270 for future projects.

3. Current Action

Staff requests that the Board approve and authorize the Executive Director to execute the proposed Lease subject to approval as to form by City Attorney and upon approval by the Los Angeles City Council. Key components of the Lease include:

Term:

The proposed Lease commences on the first day of the month following the Closing Date, as defined in the Settlement Agreement as the date that the Lease is approved by the Los Angeles City Council and executed by LAWA, and shall terminate June 30, 2024.

Reduction of Term: The term was determined based on Southwest's intent to undertake major improvements to Terminal 1. Should Southwest decide not to proceed with the Terminal 1 Renovations within 90 days after the commencement date of the Lease, the term of the Lease is reduced to 3 years from the commencement date of the lease.

Terminal Renovations:

The proposed Lease requires Southwest to make renovations in Terminal 1 as outlined in Schedule 1, Attachment A of the Lease, including but not limited to (i) relocating US Airways Inc., from Terminal 1 to Terminal 3 to enable renovations to Terminal 1; (ii) improving the passenger security screening checkpoint; (iii) designing and implementing a new inline CBIS and baggage sorting system for Terminal 1; (iv) upgrading holdrooms and associated building infrastructure; (v) refurbishing the arrival/baggage claim area; (vi) replacing passenger boarding bridges; (vii) renovating airline support office space; and (viii) replacing aircraft paving sections and associated fuel hydrant pit locations.

These renovations, which are estimated to cost approximately \$400,155,000, are categorized as follows:

- Southwest Proprietary Improvements include branded improvements, unique to Southwest's operational needs, specialty lighting, finishes or other architectural elements specifically selected by Southwest. The Southwest Proprietary Improvements are estimated to cost \$16,147,000 and will be totally Southwest's responsibility.
- Relocations include the relocation of US Airways Inc. to enable the renovations of Terminal 1. Relocations are estimated to cost \$14,657,000.
- Terminal 1 Airline Renovations include non-proprietary improvements to Terminal 1 that are usable by any airline operating in Terminal 1 and located in parts of Terminal 1 classified as "airline areas", includes a proportionate share of building improvements allocated to "airline areas" of the terminal. The Terminal 1 Airline Renovations are estimated to cost \$222,422,000 which LAWA will purchase upon completion of renovation components.
- Terminal 1 Terminal Renovations include improvements that are allocated to the "public areas" of Terminal 1, including expansion of the building footprint, renovations specific to the "public areas" of Terminal 1, and a proportionate share of the building improvements allocated to "public areas" of the terminal. The Terminal 1 Terminal Renovations are estimated to cost \$146,929,000. LAWA will provide rental credits to Southwest over the term of the Lease, including annualized accrued interest at four percent (4%) on the outstanding principal for the value of such improvements unless LAWA, subject to Board approval, provides a written notice of its intent to purchase the Terminal 1 Terminal Renovations, in which case LAWA will pay Southwest the undisputed amount of the Terminal 1 Terminal Renovations component costs.

Credits Purchase Obligation and Purchase Option:

LAWA's obligation to issue credits for the cost of relocations shall not exceed \$14,657,000. LAWA's total obligation to purchase Terminal 1 Airline Renovations shall not exceed \$222,422,000. Funding of approximately \$29,600,000 expected from TSA for the inline CBIS project will be used to offset the cost to LAWA of acquiring the Terminal Renovations. Also, should LAWA determine to exercise the option to purchase the Terminal 1 Terminal Renovations instead of providing rental credits to Southwest, staff will request additional funding authority not to exceed \$146,929,000 when requesting Board authority to exercise the option to purchase Terminal 1 Terminal Renovations.

Demised Premises:

On the Lease Commencement Date, the demised premises will consist of approximately 116,270 square feet of space. Following completion of the renovations, to reflect as-built conditions, the demised premises may be revised by the Executive Director through revision to Exhibit A2 of the proposed Lease to correct any deficiencies in the description of the constructed premises, subject to City Attorney approval as to form, so long as the revision does not exceed 2,000 square feet. If the demised premises need to be adjusted by more than 2,000 square feet, but less than 10% of the total demised premises square feet shown on Exhibit A2, then the demised premises adjustment will need Board Approval. Any adjustment in excess of 10% of the demised premises shown in Exhibit A2 will require Board and City Council approval.

Rent:

Southwest has entered into a Rate Agreement with LAWA. Southwest's rent will be adjusted pursuant to the terms and conditions of the Rate Agreement while the Rate Agreement is in effect.

Equipment Lease:

Upon completion of approved renovations projects including the inline baggage handling system and jet bridge renovations, LAWA will purchase the improvements from Southwest and lease these improvements to Southwest.

Performance Guarantee:

The initial amount shall be the amount reflected on the Basic Information Schedule as the "Performance Guaranty Amount", which is three times the sum of the amount of the initial estimated monthly installments of the Base Rent, and all other additional rent in the form of an irrevocable letter of credit. The Performance Guaranty amount shall be adjusted at any time the estimated monthly installment increases by 10%.

Preferential Gates and Gate Use:

Twelve preferential gates to Southwest. The proposed Lease provides for certain gate use protocols and preferential gate use rights.

The following is a summary in table format of the proposed Lease:

Description	Proposed Terms
Term:	
Lease Commencement	Lease Execution
Expiration	June 30, 2024
Estimated Demised Premises:	116,270 square feet
First Year Rent:	\$9,523,000

Staff requests that the Board approve and authorize the Executive Director to execute the proposed Lease with Southwest, subject to approval as to form by City Attorney and upon approval by the Los Angeles City Council.

4. Alternatives Considered

Do Not Enter into the Lease – Approval of this Lease is a condition of the Settlement Agreement. Not approving the Lease would prevent a closing condition of the Settlement Agreement, and discourage Southwest from performing Terminal 1 renovations which will hinder Southwest's ability to better accommodate its passengers.

FISCAL & ECONOMIC IMPACT STATEMENT:

Approval of the proposed Lease will provide approximately \$9,523,000 in revenue from Lease commencement through December 31, 2013.

Southwest intends to invest approximately \$400,155,000 in renovating Terminal 1 at LAX. Southwest intends to fund an estimated \$16,147,000 for proprietary renovations and the remaining balance of \$384,008,000 is subject to rental credits and/or acquisition by LAWA. Staff requests that the Board allocate funds in a not-to-exceed amount of \$222,422,000 from the LAX Revenue Fund to WBS Element 1.13.11-700 (Terminal 1 Renovations) as needed to reimburse Southwest and/or provide rental credits for Terminal 1 renovations as identified in the Current Action section and further delineated in the lease with Southwest Airlines.

This item will not have an impact on the LAWA Operating Budget.

STANDARD PROVISIONS:

1. The issuance of permits, leases, agreements or other entitlements granting use of an existing facility at a municipal airport is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1(18)(c) of the Los Angeles City CEQA Guidelines.
2. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of the Los Angeles City Charter, Section 606.
3. The Lease is subject to approval as to form by the City Attorney.
4. Southwest Airlines Company will comply with the provisions of the Living Wage/Service Contractor Worker Retention Ordinances.
5. Small Business Enterprise Program does not apply to leases.
6. Southwest Airlines Company will comply with the provisions of the Affirmative Action Program.
7. Southwest Airlines Company is not required to obtain a Business Tax Registration Certificate for this Lease Agreement.
8. Southwest Airlines Company will comply with the provisions of the Child Support Obligations Ordinance.
9. Southwest Airlines Company has approved insurance documents, in the terms and amounts required, on file with Los Angeles World Airports.

10. This action is not subject to the provisions of City Charter Section 1022 (Use of Independent Contractors).
11. Southwest Airlines Company must submit the Contractor Responsibility Program Pledge of Compliance and comply with the provisions of the Contractor Responsibility Program.
12. Southwest Airlines Company must be determined by Public Works, Office of Contract Compliance, with the provisions of the Equal Benefits Ordinance prior to execution of the Lease Agreement.
13. Southwest Airlines Company will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. Southwest Airlines Company has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.

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

Landlord

and

SOUTHWEST AIRLINES CO.,

Tenant

TERMINAL FACILITIES LEASE AND LICENSE AGREEMENT

Dated as of _____

**Terminal 1
Los Angeles International Airport**

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Schedule 2 Maintenance

Schedule 3 Insurance

Schedule 4 Basic Information

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A-3	New Baggage Systems
A-4	Preferential-Use Gates as of the Commencement Date

Exhibit B Letter of Assent

Exhibit C Rate Methodology

Exhibit D Rate Agreement

Exhibit E Interim T1 Scheduling Protocols

Exhibit F Child Support Assignment Orders

Exhibit G Contractor Responsibility Program

Exhibit H First Source Hiring Program

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TERMINAL FACILITIES LEASE AND LICENSE AGREEMENT

THIS TERMINAL FACILITIES LEASE AND LICENSE AGREEMENT (this "Lease") is made as of _____, 20__ between the CITY OF LOS ANGELES, acting by and through the Board of Airport Commissioners of its Department of Airports, as landlord and licensor (the "Landlord"), and SOUTHWEST AIRLINES CO., as tenant and licensee (the "Tenant") and shall be effective on the Commencement Date (as defined below).

RECITALS

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

WHEREAS, the Landlord and the Tenant are parties to a Settlement Agreement (the "Settlement Agreement") dated January 14, 2013 (the "Settlement Execution Date") whereby the Tenant and the Landlord settled certain claims and matters as more particularly described in the Settlement Agreement;

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

WHEREAS, the Landlord and the Tenant have entered into the Settlement Agreement to resolve certain issues between the parties and to facilitate improvements to their working relationship, and desire to continue improving their working relationship.

NOW, THEREFORE, in consideration of the mutual agreements contained in this Lease, the Landlord and the Tenant agree with each other as follows (certain terms used in this Lease and not defined elsewhere in the text of this Lease, are used with the meanings specified in Section 24; terms defined elsewhere in the text of this Lease are listed in the Index of Defined Terms appearing following the Table of Contents):

AGREEMENT

1. Term; Demise; Grant of License; Terminal 1 Renovations

1.1. Term.

1.1.1. This Lease shall commence on the first day of the month following the Closing Date (the "Commencement Date") and shall terminate on June 30, 2024 (the "Term"), unless earlier terminated pursuant to the terms hereinafter set forth.

1.1.2. Reduction of Term.

(a) The Tenant acknowledges the term of this Lease was determined by the Landlord on the assumption that the Tenant intends to make significant renovations to their Demised Premises. Notwithstanding Section 1.1.1, should the

Tenant decide not to proceed with the Terminal 1 Renovations (defined below) within 90 days after the Commencement Date, the Tenant shall provide written notice (the date of such notice, the "Notice Date") of such decision to the Landlord and this Lease shall terminate three (3) years from the Commencement Date. If the Tenant has caused to be prepared design plans for the T1 Non-Proprietary Renovations, as such design plans may be of use in the future for the Landlord's proprietary use, the Tenant shall sell and the Landlord shall purchase such design plans at fifty percent (50%) of the actual costs incurred prior to the Notice Date by the Tenant for the T1 Non-Proprietary Renovations design plans; provided that such purchase price shall not exceed Two Million Dollars (\$2,000,000). If the Tenant has undertaken expenditures related to the relocation of U.S. Airways as provided in Section 1.4.2 herein when, when notice is given under this Section 1.1.2(a) and notwithstanding anything to the contrary in Section 1.4.2, the Landlord shall issue the Relocation Rental Credit in the amount of undisputed Relocation Expenses incurred by the Tenant up to the date of such notice, which Relocation Rental Credit shall not exceed Six Million Six Hundred Thousand Dollars (\$6,600,000).

(b) The Tenant agrees that the design plans purchased by the Landlord pursuant to Section 1.1.2(a) shall belong to and be the sole property of the Landlord. The Tenant warrants that the deliverables provided to the Landlord under Section 1.1.2(a) will not infringe any intellectual property rights of any third party.

1.1.3. Early Termination Options.

(a) City Improvements.

(i) The Tenant acknowledges that the Landlord may undertake improvements at the Airport (the "City Improvements") that may have a material effect on the use of certain areas of the Terminal and the aircraft parking areas adjacent to the Terminal and which may have a material effect on the use of the Demised Premises. The Landlord shall consult with the Tenant in advance of construction of the City Improvements regarding the construction and post-construction impacts in or near the Terminal. In the event the Tenant determines that the effects of the anticipated construction of the City Improvements materially affect the Tenant's use of the Demised Premises, the Tenant shall have the option to terminate this Lease by providing the Landlord a 180 day advance written notice (the "Termination Notice"), which notice shall be provided to the Landlord prior to the commencement by the Landlord of the construction of the City Improvements.

(ii) Purchase of Terminal 1 Renovations. If the Tenant exercises its right to terminate the Lease pursuant to Section

1.1.2(a)(i) above, the Landlord will purchase, subject to Board approval, the Southwest Renovations and the T1 Non-Proprietary Renovations to the extent that such improvements have not been purchased by the Landlord pursuant to Section 1.4.3 below. The purchase price for any Southwest Renovations shall be as follows: the purchase price for any Southwest Renovations that has not been completed as of the date of the Termination Notice (the "Termination Notice Date") shall be the actual out-of-pocket expenses incurred by the Tenant up to the Termination Notice Date attributable to such Southwest Renovations, and the purchase price for any Southwest Renovations that has been completed prior to the Termination Notice Date shall be the undepreciated cost as of the Termination Notice Date of the Southwest Renovations. The purchase price for any T1 Non-Proprietary Renovations shall be as follows: the purchase price for any T1 Non-Proprietary Renovations that has not been completed as of the Termination Notice Date shall be the actual out-of-pocket expenses incurred by the Tenant up to the Termination Notice Date for such T1 Non-Proprietary Renovations, and the purchase price for any T1 Non-Proprietary Renovations that has been completed prior to the Termination Notice Date shall be pursuant to Section 1.4.3 below. The Landlord shall only be obliged to purchase the Southwest Renovations and T1 Non-Proprietary Renovations for which the consent of the Landlord has been obtained under Section 4 (and absent any condition to the contrary under the terms of the Landlord's consent), and only to the extent that the Tenant has clear title to such renovations as of the Termination Notice Date. For the purposes of this Section 1.1.2(a)(ii), the undepreciated cost of any Southwest Renovations shall be calculated on the straight-line method from the date of completion of such renovation to the date of the expiration of the Term.

1.2. Demise.

1.2.1. Upon and subject to the conditions and limitations set forth in this Lease, the Landlord hereby leases to the Tenant, and the Tenant hereby leases from the Landlord, the Demised Premises as described and delineated in Exhibit A-1.

1.2.2. Following the completion of the Terminal 1 Renovations (as defined below), the Demised Premises shall be as described and delineated in Exhibit A-2; provided, however, (i) minor modification(s) of the Demised Premises, not to exceed a cumulative total of 2,000 square feet, may be made by the Executive Director by an amendment to Exhibit A-2, subject to City Attorney approval as to form, with an appropriate adjustment in rental charges without the prior approval or later ratification by the Board or the City Council, and (ii) minor modification(s) of the Demised Premises, not to exceed a cumulative total of ten percent (10%) of the Demised Premises as delineated in Exhibit A-2, may be made by the Board by an amendment to Exhibit A-2,

subject to City Attorney approval as to form, with an appropriate adjustment in rental charges without the prior approval or later ratification by the City Council. If, following the completion of the Terminal 1 Renovations (as defined below), minor modification(s) of the Demised Premises exceed a cumulative total of ten percent (10%) of the Demised Premises as delineated in Exhibit A-2, such modification shall be subject to approval by the Board and City Council.

1.3. Grant of License.

1.3.1. In connection with the lease of the Demised Premises, the Landlord grants to the Tenant a non-exclusive license to use the Common Use Areas and Public Area in the Terminal, which license shall expire simultaneously with the expiration or earlier termination of the Term.

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

1.4. Terminal 1 Renovations.

1.4.1. Generally. The Landlord acknowledges that the Tenant shall make various renovations to the Terminal (such renovations, the "Terminal 1 Renovations") during the Term, which renovations shall be subject to Section 4 of this Lease. In addition to the requirements of Section 4, the Tenant shall also provide with its request for consent for the Terminal 1 Renovations pursuant to Section 4, detailed drawings, plans and cost estimates, which shall include all estimated soft and hard costs, of each of the Terminal 1 Renovations. A summary list, including the Tenant's cost estimates, of the Terminal 1 Renovations as of the Settlement Execution Date is attached hereto as Schedule 1 – Attachment A. The Tenant shall provide to the Landlord a detailed scope of the Terminal 1 Renovations within the later of: (i) June 15, 2013, or (ii) ninety (90) days after the execution of the Lease by the Landlord. The Landlord and the Tenant agree that the Tenant shall pay for any and all costs associated with the Terminal 1 Renovations, subject to purchase as provided below. The Tenant acknowledges that long term construction in the terminals at the Airport would cause inconvenience and disruption to the traveling public. Therefore, the Tenant agrees to complete all Terminal 1 Renovations, excluding the connector and canopy between the Terminal and Terminal 2, within forty-two (42) months of the Settlement Execution Date; provided, however, that such requirement to complete the Terminal 1 Renovations within the aforementioned time frame may be extended by the Executive Director by up to eighteen (18) months if: (i) the Tenant demonstrates, in writing to the Executive Director, the need for such an extension due to extraordinary financial issues affecting the aviation industry as a whole, which may be evidenced, among other things, by a significant decline in passenger traffic at the Airport, and the Executive Director, in his or her sole discretion, concurs with such need, including the Tenant's evidence of such need, and provides the Tenant with a written approval of such extension, or (ii) the Tenant demonstrates, in writing to the Executive Director, the need for such an extension due to delays in the relocation of U.S. Airways from the Terminal that are beyond the reasonable control of the Tenant and the

Executive Director, in his or her sole discretion, concurs with such need, including the Tenant's evidence of such need, and provides the Tenant with a written approval of such extension, or (iii) one or more Force Majeure events delays progress of the Terminal 1 Renovations.

(a) Prevailing Wage. Construction, alteration, demolition, installation, repair or maintenance work performed on the Landlord's property may require payment of prevailing wages in accordance with federal or state prevailing wage and apprenticeship laws. The Tenant is obligated to make the determination as to whether prevailing wage laws are applicable, and shall be bound by and comply with all applicable provisions of the California Labor Code and federal, state and local laws related to labor. The Tenant shall indemnify and pay or reimburse the Landlord for any damages, penalties or fines (including, but not limited to, attorneys fees and costs of litigation) that the Landlord incurs, or pays, as a result of noncompliance with applicable prevailing wage laws in connection with the work performed for the Terminal 1 Renovations.

(b) Competitive Bidding/Proposals. The Tenant recognizes and accepts that the contractor selection procedures specified herein are intended to promote pricing and responsive and responsible proposals in a fair and reasonable manner. As such, the selection of contractors for the design and construction of the Terminal 1 Renovations shall be based upon competitive bids or proposals as follows:

(i) The Tenant shall use reasonable efforts to secure the commitment to bid or propose on the Terminal 1 Renovations from a minimum of three (3) bidders or proposers.

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

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

(c) Warranty. The Tenant warrants that the services provided herein shall conform to the highest professional standards pertinent to respective industry. The Tenant warrants that all materials and equipment furnished for the Terminal 1 Renovations will be new and of good quality unless otherwise specified, and that all workmanship will be of good quality, free from faults and defects and in conformance with the design documents approved by the City of Los Angeles Department of Building and Safety.

(d) Rules and Regulations.

(i) The Tenant shall have sole responsibility for fully complying with any and all present and future rules, regulations, restrictions, ordinances, statutes, laws and/or orders of any federal, state, and/or local government applicable to the Terminal 1 Renovations. The Tenant shall be solely responsible for fully complying with any and all applicable present and/or future orders, directives, or conditions issued, given or imposed by the Executive Director which are now in force or which may be hereafter adopted by the Board and/or the Executive Director with respect to the operation of the Airport. In addition, the Tenant agrees to specifically comply with any and all Federal, State, and/or local security regulations, including, but not limited to, 14 CFR Parts 107 and 108, regarding unescorted access privileges.

(ii) The Tenant shall comply with the Title VI of the Civil Rights Act of 1964 relating to nondiscrimination. Additionally, FAR Clause 52.203-11 "Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions" is incorporated herein by reference into this Lease. Contracts awarded by the Tenant as a result of the Terminal 1 Renovations must comply with Federal provisions established by laws and statutes.

(iii) The Tenant and its contractors shall be responsible for all civil penalties assessed as a result of their failure to comply with any and all present and future rules, regulations, restrictions, ordinances, statutes, laws and/or orders of any federal, state, and/or local government regarding the Terminal 1 Renovations. The Tenant and its contractors shall hold the Landlord harmless and indemnify the Landlord for all civil penalties resulting from such failure.

(e) Independent Contractor. In furnishing the services provided in this Section 1.4, the Tenant is acting as an independent contractor. The Tenant is to furnish such services in its own manner and method and is in no respect to be considered an officer, employee, servant or agent of the Landlord.

(f) Project Labor Agreement. The Landlord, through its agreement coordinator, has entered into a project labor agreement with various trades (the "PLA"). The Tenant agrees to require its general contractor(s) to sign the Letter of Assent, attached hereto as Exhibit B, agreeing to be subject to the terms of the PLA.

1.4.2. Terminal 1 Relocations.

(a) In accordance with Section 633 of the Los Angeles City Charter, the Executive Director has the authority to designate and assign space in the terminals. Accordingly, the Executive Director shall designate and assign space

as appropriate to support the Tenant's Terminal 1 Renovations, which renovations necessitate the relocation of U.S. Airways. To assist the Executive Director, the Tenant agrees to develop and provide the Landlord with a relocation plan (the "Relocation Plan"), which plan outlines the relocation schedule of U.S. Airways, the proposed location of where U.S. Airways would be relocated, and the estimated Relocation Expenses, which cost estimates shall include specific line item costs. The Executive Director has the authority to make any necessary changes to any part of the Relocation Plan that he or she, in the exercise of his or her sole discretion, deems appropriate. The Tenant shall consult the Landlord and U.S. Airways at all stages of the implementation of the Relocation Plan. In addition to the relocation of U.S. Airways, the Tenant shall also assist the Executive Director in relocating other users using space in the Terminal and in Terminal 3 that are impacted by the Tenant's Terminal 1 Renovations and the U.S. Airways' relocation and agrees to pay for any and all relocation expenses incurred by such other users.

(b) Relocation Expenses/Relocation Rental Credit.

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

(ii) The Landlord agrees to issue a Relocation Rental Credit to the Tenant which may be applied against any amounts due to the Landlord from the Tenant for the use of space in terminals at the Airport; provided, however, that the total amount of Relocation Rental Credit shall not exceed Fourteen Million Six Hundred Fifty-Seven Thousand Dollars (\$14,657,000). On or after the Relocation Construction Completion Date, the Tenant shall submit a request to the Landlord for the Relocation Rental Credit along with all documentation requested by the Landlord to make its determination of the amount of the Relocation Rental Credit. The Executive Director, or his or her designee, after receipt of such request, shall make his or her determination of the amount of the Relocation Rental Credit and shall issue such credit within sixty (60) days of receipt of all documentation requested by the Landlord to make its determination of the amount of the Relocation Rental Credit. To the extent the Landlord disputes a portion of the request for Relocation Rental credit or there is insufficient documentation, the Landlord shall have the right to withhold crediting any disputed or undocumented amounts until such amounts have been verified and documented to the reasonable satisfaction of the Landlord. If there is a dispute regarding the amount of, or insufficient documentation with respect to, such credit, then the Landlord shall issue the amount of the Relocation Rental Credit that is not disputed and has been documented within sixty (60) days. The Landlord shall also submit to the Tenant an explanation of the disputed amount or the required

documentation within the above-mentioned sixty (60) days. The Tenant shall respond within thirty (30) days and the Parties shall meet to resolve any disputes or documentation issues within thirty (30) days of the Tenant's response. Upon the first issuance of any amount of the Relocation Rental Credit, title to all improvements constituting Relocation Expenses shall vest in the Landlord.

1.4.3. Terminal 1 Renovations.

(a) Classification of Terminal 1 Renovations. Prior to the Tenant's request for consent for the Terminal 1 Renovations pursuant to the requirements of Section 4, the Landlord and the Tenant shall mutually agree on which Terminal 1 Renovations are (i) Southwest Renovations or (ii) T1 Non-Proprietary Renovations. The Landlord and the Tenant shall amend Schedule 1 – Attachment A to reflect such agreement. The Executive Director shall have the authority to execute such amendment, subject to approval as to form by the City Attorney, without further approval of the Board; provided, however, that such amendment shall not increase the amount to be paid by the Landlord to the Tenant pursuant to the terms of this Lease.

(b) T1 Non-Proprietary Renovations- Airline Space.

(i) The Tenant shall sell, and the Landlord shall purchase, the T1 Non-Proprietary Airline Renovations. The T1 Non-Proprietary Airline Renovations are identified in Schedule 1-Attachment A. The Landlord shall pay the Tenant, within sixty (60) days of the T1 Non-Proprietary Airline Renovations Component Completion Date, the amount of the T1 Non-Proprietary Airline Renovations Component Acquisition Cost. The estimated cost for each T1 Non-Proprietary Airline Renovations Component is set forth in Schedule 1 – Attachment A. The aggregate amount of T1 Non-Proprietary Airline Renovations Component Acquisition Cost for all T1 Non-Proprietary Airline Renovations Components, including principal and interest, payable by the Landlord to the Tenant, shall not exceed Two Hundred Twenty-Two Million Four Hundred Twenty-Two Thousand Dollars (\$222,422,000).

(ii) Disputes. Notwithstanding the foregoing, the Landlord shall have the right to dispute the amount of the T1 Non-Proprietary Airline Renovations Component Acquisition Cost. To the extent that the Landlord disputes a portion of the T1 Non-Proprietary Airline Renovations Component Acquisition Cost, or there is insufficient documentation with respect thereto, the Landlord shall so notify the Tenant within sixty (60) days ("T1 Non-Proprietary Airline Renovations Component Payment Date") of any T1 Non-Proprietary Airline Renovations Component Completion Date and shall have the right to withhold any disputed amounts until such amounts have been verified and documented to the reasonable satisfaction of the Landlord. The Landlord

shall also submit to the Tenant an explanation of the disputed amount or the required documentation prior to the T1 Non-Proprietary Airline Renovations Component Payment Date. The Tenant shall respond within thirty (30) days and the Landlord and the Tenant shall meet to resolve any disputes or documentation issues within thirty (30) days of the Tenant's response.

(iii) In-Line Baggage Screening System. As part of the T1 Non-Proprietary Airline Renovations, the Tenant has been granted permission to implement the Security Program In-Line Baggage Screening Systems Terminal 1 Project at the Airport (the "Project"). The Project will involve developing the designs to address the modification and construction requirements needed for a checked baggage inspection system ("CBIS") solution in the Terminal as well as the actual construction of the CBIS. The Landlord and the TSA entered into (i) an Other Transaction Agreement (HSTS04-09-H-CT1249)(LAA-8470)(the "OTA") on January 12, 2009 attached hereto as Schedule 1-Attachment B and incorporated by reference into this Lease for the partial funding of architecture and engineering services to produce designs for the inline CBIS solutions for Terminals 1, 2, 4, 6, 7 and 8, and (ii) a Memorandum of Agreement (HTS04-10-H-CT1022)(LAA-8520)(the "MOA") on February 4, 2010, attached hereto as Schedule 1 - Attachment C and incorporated by reference into this Lease for the partial funding of the design, engineering and construction related services for the in-line CBIS solutions in Terminals 1, 2, 4, 6, 7 and 8. The Tenant shall have the sole responsibility for complying with the requirements outlined in the OTA, MOA and Schedule 1-Attachment D attached hereto and incorporated by reference into this Lease such that the Landlord will receive funding for the Project from the TSA.

(iv) For each T1 Non-Proprietary Airline Renovations Component, upon the payment of such T1 Non-Proprietary Airline Renovations Component Acquisition Cost, title to such Non-Proprietary Airline Renovations Component shall vest in the Landlord.

(c) T1 Non-Proprietary Renovations – Terminal Space. The Landlord shall have the option to purchase the T1 Non-Proprietary Terminal Renovations at any time during the term of the Lease.

(i) Prior to First Option Date.

(A) If the Landlord wishes to exercise its option under Section 1.4.3(c) by the First Option Date, the Executive Director, subject to Board approval, shall provide written notice of its intent to purchase the T1 Non-Proprietary Terminal Renovations and shall pay the Tenant the undisputed amount of the T1 Non-Proprietary Terminal Renovations Acquisition Cost according to

Section 1.4.3(c)(i)(B) below. The total amount the T1 Non-Proprietary Terminal Renovations Acquisition Cost shall not exceed One Hundred Forty-Six Million Nine Hundred Twenty-Nine Thousand Dollars (\$146,929,000).

(B) If the Landlord has exercised its option pursuant to Section 1.4.3(c), the Landlord shall pay the Tenant, within sixty (60) days of each T1 Non-Proprietary Terminal Renovations Component Completion Date, the amount of such T1 Non-Proprietary Terminal Renovations Component Acquisition Cost. The estimated cost for each T1 Non-Proprietary Terminal Renovations Component is set forth on Schedule 1 – Attachment A. Upon payment of any portion of the T1 Non-Proprietary Terminal Renovations Acquisition Cost, title to the T1 Non-Proprietary Terminal Renovations, in its entirety, shall vest in the Landlord.

(ii) After the First Option Date.

(A) If the Landlord does not exercise its option under Section 1.4.3(c) by the First Option Date, on the First Option Date the Landlord shall issue to the Tenant a rental credit (the “T1 Non-Proprietary Terminal Renovations Rental Credit”) in the undisputed amount of the T1 Non-Proprietary Terminal Renovations Acquisition Cost, which rental credit shall be applied against any Landing Fee and amounts due to the Landlord from the Tenant for the use of space in terminals at the Airport; provided, however, that the total amount of the T1 Non-Proprietary Terminal Renovations Rental Credit shall not exceed One Hundred Forty-Six Million Nine Hundred Twenty-Nine Thousand Dollars (\$146,929,000). The T1 Non-Proprietary Terminal Renovations Rental Credit shall be issued in equal installments over the period from the First Option Date to the end of the Term and shall include annualized accrued interest at four percent (4%) on the outstanding principal that is unpaid as of such issuance date.

(B) Notwithstanding Section 1.4.3(c)(ii)(A), the Landlord shall always have the option to purchase the T1 Non-Proprietary Terminal Renovations at any time during the term of the Lease. If the Landlord wishes to exercise its option under Section 1.4.3(c) after the First Option Date, the Executive Director, subject to Board approval, shall provide written notice of its intent to purchase the T1 Non-Proprietary Terminal Renovations and shall pay the Tenant an amount equal to the remaining unused T1 Non-Proprietary Terminal Renovations Rental Credit (such unused amount, the “Post-Construction T1 Non-Proprietary Terminal Renovations Acquisition Cost”). Upon the payment of the Post-

Construction T1 Non-Proprietary Terminal Renovations Acquisition Cost, title to the T1 Non-Proprietary Terminal Renovations shall vest in the Landlord.

(iii) Disputes. Notwithstanding the foregoing, the Landlord shall have the right to dispute the amount of the T1 Non-Proprietary Terminal Renovations Component Acquisition Cost. To the extent that the Landlord disputes a portion of the T1 Non-Proprietary Terminal Renovations Component Acquisition Cost, or there is insufficient documentation with respect thereto, the Landlord shall so notify the Tenant prior to the First Option Date and shall have the right to withhold any disputed amounts until such amounts have been verified and documented to the reasonable satisfaction of the Landlord. The Landlord shall also submit to the Tenant an explanation of the disputed amount or the required documentation prior to the First Option Date. The Tenant shall respond within thirty (30) days and the Landlord and the Tenant shall meet to resolve any disputes or documentation issues within thirty (30) days of the Tenant's response.

1.4.4. Right of Entry. In connection with the Terminal 1 Renovations and the Relocation Plan, the Landlord grants to the Tenant a temporary non-exclusive right of entry to Terminal 1 and Terminal 3 for the following purposes and no other: to assess Terminal 1 and Terminal 3 for design and engineering purposes for the Terminal 1 Renovations and the Relocation Plan, to facilitate preparation of construction plans for the Landlord's approval pursuant to Section 4 for the Terminal 1 Renovations and the renovations pursuant to the Relocation Plan, and upon receipt of such approval construct the approved improvements. This Section 1.4.4 shall not be deemed to grant the Tenant an easement, lease or any other property interest in Terminal 1 or Terminal 3 to the extent that such area is not part of the Demised Premises under this Lease.

2. Use.

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

2.2 Prohibited Uses. Notwithstanding anything in Section 2.1 to the contrary, without the prior consent of the Landlord the Tenant will not use or occupy, or permit any portion of the Tenant Areas to be used or occupied for any other use not specifically permitted.

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

wireless internet servers, transceivers, modems or other hardware that transmit or otherwise access radio frequencies.

3. Rent. The Tenant shall pay as rent the fees and charges calculated pursuant to the Board-adopted rates and charges methodology for the Tariff (the "Rate Methodology") and as set forth in this Lease. The Board-adopted Rate Methodology is attached hereto as Exhibit C. The rents described in Sections 3.1 to 3.3 are subject to adjustment by the Board by resolution, and the Tenant shall pay the rent based on the then Board-approved rates. The methodology of calculating the rent under Section 3 is the methodology that is, as of the execution date of this Lease, the methodology used in the Tariff. The Tariff contains the terms and conditions applicable to all Airlines using terminal space at the Airport that do not have a lease. The Tenant acknowledges that the Tariff may be amended from time to time. Upon the amendment of the methodology for calculating rates and charges under the Tariff, the Tenant acknowledges and agrees to be subject to such new methodology for calculating rates and charges and agrees that such new methodology as described and defined under the Tariff shall be incorporated into this Lease by reference and Sections 3.1 through 3.3 shall be deemed amended without the need for any further action. In addition to the Tenant's audit right pursuant to Section 3.8, the Landlord agrees to consult with the Tenant before adopting a replacement methodology for calculating terminal rates and charges and to provide the Tenant with 60 days to provide written comments on such replacement methodology.

3.1. Terminal Buildings Charge. The Tenant shall pay to the Landlord a "Terminal Buildings Charge" for the use of the Demised Premises. The Terminal Buildings Charge is comprised of the Unified Capital Charge and an Operations and Maintenance Charge for the use of the Demised Premises. The Terminal Buildings Charge shall be calculated in an amount equal to the Terminal Buildings Rate multiplied by the square footage of the Demised Premises. The Terminal Buildings Rate in effect as of the Commencement Date is the amount reflected on the Basic Information Schedule as the "Terminal Buildings Rate".

3.2. Equipment Rent.

3.2.1. Lease of Baggage Handling Systems.

(a) Existing Baggage System. The Landlord shall lease to the Tenant and the Tenant shall rent from the Landlord the existing outbound and inbound baggage handling systems (the "Existing Baggage Systems") in the Terminal located on their Demised Premises. The rent for the Existing Baggage Systems is included in the Terminal Buildings Charge for the Demised Premises that the Existing Baggage System is located.

(b) New Baggage Systems.

(i) It is contemplated that the Tenant will be constructing (x) an Inline Baggage System and (y) an inbound baggage system and an outbound baggage make-up system (the "Inbound/Outbound Baggage System" and together with the Inline Baggage System, the "New Baggage Systems") in the Terminal that will replace the Existing Baggage Systems.

The Existing Baggage Systems and the New Baggage Systems together are called the "Baggage Handling Systems". Following construction of the New Baggage Systems, a description of the New Baggage Systems shall be attached to this Lease by the Executive Director as Exhibit A-3, subject to City Attorney approval as to form.

(ii) Upon acquisition of the New Baggage Systems by the Landlord pursuant to Section 1.4.3(b), the Landlord shall lease to the Tenant and the Tenant shall rent from the Landlord, the New Baggage Systems located on their Demised Premises. The rent for the New Baggage Systems is included in the Terminal Buildings Charge for the Demised Premises that the New Baggage System is located.

(c) Use of Baggage Handling Systems by Other Airlines.

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

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

(iii) In the event that there are no other airlines utilizing the Baggage Handling Systems, the Landlord will issue appropriate rental credits to the Tenant equaling a pro-rata share, based on the number of common use Gates in the Terminal, the Tenant's total direct costs (including operation and maintenance costs, if any, pursuant to Section 9.1.1(a)) for the Baggage Handling Systems, including a fifteen percent (15%) administrative cost.

3.2.2. Lease of Passenger Loading Bridges and Related Aircraft Support Equipment.

(a) Existing Passenger Loading Bridges and Existing Related Aircraft Support Equipment. The Landlord shall lease to the Tenant and the Tenant shall rent from the Landlord, twelve (12) existing passenger loading bridges located at the Gates in the Terminal (the "Existing Loading Bridges") and existing related aircraft support equipment (e.g., pre-conditioned air devices, 400 HZ equipment and potable water)(such aircraft support equipment, the "Existing Related Equipment"). As of the Commencement Date, the Existing Loading Bridges and Existing Related Equipment that the Tenant shall be leasing are located at the Gates identified in Exhibit A-4 attached hereto. The Tenant acknowledges that upon the completion of the gate realignment plan contemplated under the Terminal 1 Renovations, the Tenant may be leasing Existing Loading Bridges and Existing Related Equipment which may be located at different Gates in the Terminal and Exhibit A-4 shall be amended by the Executive Director, subject to City Attorney approval as to form, upon such modification.

(b) Replacement Passenger Loading Bridges and Related Aircraft Support Equipment. As part of the T1 Non-Proprietary Renovations, it is contemplated that the Tenant will be replacing the Existing Loading Bridges (such replaced Existing Loading Bridges, "New Loading Bridges") and Existing Related Equipment (such replaced Existing Related Equipment, "New Related Equipment"). Upon acquisition of the New Loading Bridges and New Related Equipment by the Landlord pursuant to Section 1.4.3(b), the Landlord shall lease to the Tenant and the Tenant shall rent from the Landlord, the New Loading Bridges and New Related Equipment.

(c) Loading Bridges and Related Equipment Rent. The rent for the Existing Loading Bridges, Existing Related Equipment, the New Loading Bridges and New Related Equipment shall be additional rent under this Lease (the "Loading Bridge Capital Additional Rent"). Each year, the Landlord shall calculate the estimated annual Loading Bridge Capital Additional Rent by dividing all budgeted Capital Costs allocable to all passenger loading bridges owned by the Landlord at the Airport for the following calendar year by the total number of passenger loading bridges owned by the Landlord at the Airport.

(d) Use of Loading Bridges and Related Equipment by Other Airlines The Tenant shall be entitled to charge other airlines using the Existing Loading Bridges, Existing Related Equipment, New Loading Bridges and New Related Equipment in accordance with Section 19.6 below.

3.3. Terminal Special Charges. In addition to the rents described in Sections 3.1 and 3.2, airlines subject to the Tariff pay additional rent (such rent, "Terminal Special Charges") for the use of certain space or equipment for the recovery of Capital Costs and Operations and Maintenance Expenses incurred by the Landlord that are not otherwise billed to the Airlines through the rates and charges described in Section 3.1 through 3.3 of the Rate Methodology. The Tenant shall be subject to the following Terminal Special Charges and shall pay the

Landlord the Terminal Special Charges. The Terminal Special Charges as of the Commencement Date are listed in the Basic Information Schedule.

3.3.1. Custodial Fees. The Tenant shall pay to the Landlord a "Custodial Fee" for the use of the holdroom, baggage claim areas, outbound baggage system areas and ticket counters in their Demised Premises if such area(s) is/are maintained by the Landlord pursuant to Section 9. The Custodial Fees shall be calculated for each calendar month in an amount equal to the Average Custodial Rate for Common Use Holdrooms, Common Use Baggage Claim Areas, Common Use Outbound Baggage System Areas and Common Use Ticket Counters as prescribed in the Rate Methodology for the Terminal for the month multiplied by the square footage of the area that is maintained by the Landlord pursuant to Section 9. The Average Custodial Rate in effect as of the Commencement Date is reflected on the Basic Information Schedule as the "Average Custodial Rates."

3.3.2. Outbound Baggage System Maintenance Fee. The Tenant shall pay to the Landlord an "Outbound Baggage System Maintenance Fee" for the use of the outbound baggage system located in their Demised Premises if such equipment is maintained by the Landlord pursuant to Section 9. The Outbound Baggage System Maintenance Fee shall be calculated for each calendar month in an amount equal to the Outbound Baggage System Maintenance Rate under the Tariff multiplied by the number of the Tenant's Enplaned Passengers in the Terminal for the month. The Outbound Baggage System Maintenance Rate in effect as of the Commencement Date is reflected on the Basic Information Schedule as the "Outbound Baggage System Maintenance Rate."

3.3.3. Loading Bridge O&M Fee. The Tenant shall pay to the Landlord a "Loading Bridge O&M Fee" for the use of the loading bridges at the Terminal if such loading bridges are maintained by the Landlord pursuant to Section 9. The Loading Bridge O&M Fee shall be calculated for each calendar month in an amount equal to the Loading Bridge O&M Rate under the Tariff multiplied by the number of the Tenant's Turns on such loading bridge in each designated aircraft class as prescribed in the Rate Methodology for the month. The Loading Bridge O&M Rate in effect as of the Commencement Date is reflected on the Basic Information Schedule as the "Loading Bridge O&M Rate."

3.4. Rate Agreement. The Tenant entered into a rate agreement (the "Rate Agreement") with the Landlord, which signed agreement is attached hereto as Exhibit D. Notwithstanding Section 3.1, the Tenant's Terminal Buildings Charge shall be adjusted pursuant to the terms and conditions of the Rate Agreement while the Rate Agreement is in effect. If the Board adopts another rate agreement and the Tenant and the Landlord enter into such agreement, the terms of such agreement shall be applicable to this Lease.

3.5. Payments; Adjustments.

3.5.1. Rental Payments. The Tenant shall be subject to the payment terms for fees and charges as set forth in the Tariff for its payment of Base Rent and additional rent

to the Landlord.

3.5.2. Rental Adjustments. Any mid-year adjustment or annual adjustment of Base Rent and additional rent shall be pursuant to the terms of the Tariff.

3.6. Percentage Rent.

3.6.1. For each calendar month during the Term, the Tenant will pay to the Landlord, as additional rent, a percentage of the Tenant's gross receipts, if any, from the sale by the Tenant at the Terminal of goods (including food and beverages) and services (other than air transport services and services related to air transport services such as handling services) to the Tenant's passengers and invitees (the additional rent payable is referred to as the "Percentage Rent"). The percentage of the gross receipts to be used in calculating the Percentage Rent payable by the Tenant for any calendar month will be the same as the highest percentage rates then being paid to the Landlord by concessionaires selling similar goods or services in the terminal buildings at the Airport. The Tenant will pay installments of Percentage Rent on the first day of each calendar month, with the amount of each installment of Percentage Rent being calculated based on the Tenant's gross receipts from sales for the last month for which the Tenant's records of sales are complete, but in any event not further in arrears than the second complete month prior to the date that the Percentage Rent is due. After the expiration or termination of the Term, the Tenant will continue to pay installments of Percentage Rent for the calendar months falling within the Term and for which payments have not been made during the Term.

3.6.2. Notwithstanding Section 3.6.1, the Tenant shall not be subject to Section 3.6.1 with respect to the sale of alcohol in its airport lounge if such alcohol was purchased from the Landlord's concessionaire.

3.7. Other Charges. The Landlord and the Tenant may from time to time agree upon the installation for the Tenant's use at the Terminal of special equipment that is not generally available to all of the Terminal Users or for the provision of services to the Tenant that are not generally provided to all of the Terminal Users, in which case the Landlord and the Tenant (and any other Terminal Users by which the equipment or services will be used) will enter into a separate agreement allocating the cost associated with the equipment or services. In the absence of such a separate agreement, the Tenant will pay for the use of the equipment or services the assessments, fees and charges as shall be set by the Landlord and generally applicable to similarly situated airline tenants at the Airport. Any costs payable by the Tenant in connection with such a separate agreement (or in the absence of such a separate agreement, the assessments, fees and charges set by the Landlord) shall be deemed additional rent payable under this Lease.

3.8. Books and Records; Annual Consultation.

3.8.1. Landlord's Records. The Landlord will keep books and records sufficient for the purpose of substantiating for auditing purposes all amounts of Base Rent. The Tenant may from time to time, but no more often than once during any calendar year, examine (and, in the course of the examination, may copy) and audit the Landlord's books and records for the purpose of verifying the amounts of Base Rent payable by the

Tenant (whether or not already paid). The Tenant shall only be permitted to examine and audit the Landlord's books and records using a nationally recognized independent accounting firm or its own internal auditors. The expense of any such examination or audit shall be borne by the Tenant. The conduct of any examination or audit as provided in this Section 3.8.1 shall not affect the Tenant's obligations to pay all amounts due and payable in accordance with the provisions of this Lease. The Tenant will keep all information obtained from the Landlord's books and records confidential, and the Tenant will use good faith efforts to cause the Tenant's agents and employees to keep all information obtained from the Landlord's books and records confidential.

3.8.2. Tenant's Records. The Landlord's accurate calculation of the Base Rent, the Landlord's verification of the Tenant's gate utilization and the accurate payment of the Percentage Rent are dependent upon receiving from the Tenant timely and accurate information regarding the Tenant's operations, including the number of passengers using the Terminal to enplane onto or deplane from flights operated by the Tenant. The Tenant will promptly and periodically (but not less frequently than monthly) provide to the Landlord sufficient information about the Tenant's operations as the Landlord may find reasonably necessary or useful in calculating the Base Rent, the Percentage Rent and gate utilization and the Tenant will keep books and records sufficient for the purpose of substantiating the Tenant's operations information for auditing purposes. The Tenant also agrees to provide copies of invoices and other documentation verifying all of the costs of the Terminal 1 Renovations if the Landlord requests such documentation. The Landlord may from time to time, but no more often than once during any calendar year, examine (and, in the course of such examination, may copy) and audit the Tenant's books and records for the purpose of verifying the Tenant's operations information. The expense of any such examination or audit shall be borne by the Landlord, provided that if the Tenant's books and records are not made available to the Landlord at a location within 50 miles from the Airport, the Tenant will reimburse the Landlord the reasonable out-of-pocket costs incurred by the Landlord in inspecting the Tenant's books and records, including travel, lodging and subsistence costs. Except to the extent necessary to substantiate charges to other tenants of the Terminal, the Landlord will keep all information obtained from the Tenant's books and records confidential, and the Landlord will use good faith efforts to cause the Landlord's agents and employees to keep all information obtained from the Tenant's books and records confidential.

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

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

3.10. Late Charges. If the Tenant shall fail to pay any installment of the Base Rent or any amount of additional rent within five days after it becomes due, the Landlord may require

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

3.11. No Counterclaim, Abatement, etc. Except as expressly provided to the contrary in this Lease, the Tenant will pay the Base Rent and all additional rent payable under this Lease without notice, demand, counterclaim, setoff, deduction, defense, abatement, suspension, deferment, diminution or reduction, and the obligations and liabilities of the Tenant under this Lease shall in no way be released, discharged or otherwise affected for any reason, whether foreseen or unforeseen. Except as provided to the contrary in this Lease, the Tenant waives, to the extent permitted by applicable law, all rights now or hereafter conferred by statute or otherwise to quit, terminate or surrender this Lease or the Demised Premises or any part thereof, or to any abatement, suspension, deferment, diminution or reduction of Base Rent and all additional rent payable by the Tenant hereunder. Except as provided in this Section 3.11, all payments by the Tenant to the Landlord made hereunder shall be final, and the Tenant will not seek to recover any such payment or any part thereof for any reason. In the event of any dispute regarding the amount of Base Rent or any amount of additional rent payable under this Lease, (a) the Landlord's computation of the amounts due shall be presumed correct, and the Tenant will continue to pay the amounts due as computed by the Landlord unless the Tenant shall have obtained a final, unappealable order to the contrary from a court of competent jurisdiction, and (b) to the extent permitted by applicable law, the Tenant waives any right to seek or obtain any provisional remedy before obtaining such a final order. If it is determined by a final, unappealable order of a court of competent jurisdiction that the Tenant was not obligated to pay any amount disputed by the Tenant but nevertheless paid by the Tenant under protest, the Landlord will refund to the Tenant the amount of any excess payments, together with interest on the amounts refunded from the time of their payment to the Landlord until the time of refund, at an annual rate per annum equal to the Reimbursement Rate.

3.12. No Waiver; Retroactive Payments. The failure by the Landlord to timely comply with the provisions of this Section 3 relating to the adjustment of the Base Rent or any item of additional rent shall not be construed as a waiver of the Landlord's right to the adjustment of the Base Rent or to the adjustment of any additional rent. If a determination of the adjusted Base Rent is not completed before the relevant adjustment date or if a determination of the adjustment

of any item of additional rent is not completed before any relevant date, the Tenant will continue to pay the amounts applicable to the preceding period, and if the Base Rent as of the relevant adjustment date or any item of additional rent as of any relevant date is thereafter determined to be an amount greater than that paid by the Tenant, the adjusted amount shall take effect, and shall promptly be paid by the Tenant, retroactively to the date when the payment would have been due absent the failure to timely complete the determination of the appropriate adjustment. If the Landlord has substantially complied with the provisions of this Section 3 relating to the adjustment, the Landlord shall have the right to charge interest on the retroactive amounts from the date the Board adopts the applicable adjustment retroactively due, and the Tenant is notified, in writing, of such retroactive adjustment, until the date of payment to the Landlord, at an annual rate per annum equal to the Reimbursement Rate.

3.13. Manner of Payment. All payments of Base Rent and other amounts payable under the preceding provisions of this Section 3 shall be paid in U.S. dollars without setoff or deduction by mailing to the following address:

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

The Landlord may from time to time designate any other address to which the payments shall be made. As a matter of courtesy, invoices may be sent by the Landlord to the Tenant, but notwithstanding any custom of the Landlord in sending invoices, the receipt of an invoice shall not be a condition to any payment due to the Landlord from the Tenant, provided that the Landlord otherwise complies with notice requirements pursuant to Section 17.1(a). All payments, including each payment check and remittance advice, shall include the contract number assigned to this Lease by the Landlord, which is stamped on the first page of this Lease (but failure to do so shall not constitute a default by the Tenant under this Lease). No payment by the Tenant or receipt by the Landlord of a portion of any sum due under this Lease shall be deemed to be other than a partial payment on account of the earliest sum next due from the Tenant. No endorsement or statement on any check or any letter accompanying a check or other payment from the Tenant shall be deemed an accord and satisfaction, and the Landlord may accept the check or other payment, and pursue any other remedy available under this Lease. The Landlord may accept any partial payment from the Tenant without invalidation of any notice required to be given under this Lease and without invalidation of any notice required to be given under the provisions of California Code of Civil Procedure Section 1161, *et seq.*

4. Alterations to the Demised Premises by the Tenant.

4.1 Landlord's Consent. The Tenant may make alterations, installations, additions and improvements in and to the Tenant Areas (referred to as "Alterations") if the Tenant shall comply with the provisions of this Section 4 and, except as provided in Section 4.2, if the Tenant shall first obtain the Landlord's consent in accordance with Section 4.3, which consent shall not be unreasonably withheld.

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

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

4.4 Performance of Alterations. Before the commencement of any Alteration, the Tenant will obtain and deliver to the Landlord (i) all required permits, (ii) insurance for the contractor for such coverages and in such amounts as may be reasonably acceptable to the Landlord, and (iii) surety bonds or other security in such amounts and otherwise reasonably satisfactory to the Landlord. All of the Tenant's Alterations shall be (i) effected at the Tenant's expense and promptly and fully paid for by the Tenant, (ii) performed with due diligence, in a good and workmanlike manner and in accordance with all Legal Requirements and Insurance Requirements, (iii) made under the supervision of a licensed architect or licensed professional engineer, and (iv) performed without interfering with (A) the use and occupation or conduct of the business of any other tenant or occupant of the Terminal, (B) any construction work being performed elsewhere in the Terminal by the Landlord or by any other tenant or occupant of the Terminal, or (C) ingress and egress to, in and from the Terminal or any other premises demised in the Terminal. In the course of effecting any Alterations the Tenant will use good faith efforts to minimize noise and dust and will keep the Tenant Areas and Public Area clean and neat. Upon completion of the Alteration, the Tenant will furnish to the Landlord, at no charge, two complete reproducible sets of record or as-built drawings of the Alterations, and one complete set in an electronic format that complies with the then current computer aided design standards of the Landlord. The drawings must include any applicable permit numbers, the structural and other improvements installed by the Tenant in the Tenant Areas, and the location and details of installation of all equipment, utility lines, heating, ventilating, and air-conditioning ducts and related matters. The Tenant will keep the record or as-built drawings current by updating them in order to reflect any changes or modifications that may later be made in or to the Tenant Areas. Within 120 days following the Completion of the Alteration, the Tenant will prepare and submit to the Landlord a construction report including the following information regarding the Alteration: (1) a description of the type of improvements constructed or altered, (2) the floor

area or capacity of the improvements constructed or altered, (3) the total cost of the Alteration, (4) the completion date for the Alteration, and (5) a copy of the certificate of occupancy for the Alteration (or for the Tenant Areas, after giving effect to the Alteration). Without limiting the generality of the remedies available to the Landlord for any breach of this Lease under Section 17, if the Tenant shall fail to timely and completely perform its obligations under the immediately preceding sentence of this Section 4.4, the Landlord may require the Tenant to pay, as additional rent, a late charge equal to \$500 for each day for which the failure continues.

4.5 Ownership of Improvements and Alterations. Other than Tenant's Property, ownership of all improvements and equipment existing in the Tenant Areas on the Commencement Date is and shall be in the Landlord. Ownership of all improvements, additions, alterations and equipment constructed or installed in the Tenant Areas at the Landlord's expense after the Commencement Date shall be and remain in the Landlord. During the Term, the Tenant shall own all Alterations constructed or installed at the Tenant's expense unless the Tenant has transferred its ownership interests to the Landlord in which case the ownership of such Alteration shall be in the Landlord. Upon the expiration or earlier termination of the Term, all Alterations, other than equipment, trade fixtures and similar installations that are removable without material damage to the Tenant Areas, shall become the property of the Landlord (without compensation to the Tenant), unless the Landlord requests that the Tenant remove some or all of the equipment, trade fixtures, and similar installations, in which case the Tenant will promptly remove them at the Tenant's expense. All items of Tenant's Property remaining in the Tenant Areas or at the Terminal shall, (i) if not removed by the Tenant within thirty (30) Business Days following the end of the Term, and (ii) if, following the end of the Term, the Tenant does not pay for the use of the space that such equipment is occupying pursuant to the terms of the Tariff, be deemed abandoned (unless this Lease is a month-to-month lease as provided in Section 20.2 or the Tenant and the Landlord are negotiating in good faith a new lease or an amendment to this Lease extending the term of this Lease, in which case the Tenant shall (a) continue to pay for the use of the space pursuant to Section 20.2, (b) not be required to remove the Tenant's Property and (c) such property shall not be abandoned; *provided, however*, if the Landlord determines, in its sole discretion, that negotiations will not conclude in a timely manner or that negotiations have ceased, the Landlord shall provide written notice to the Tenant to remove such property, and if such property is not removed within 45 days of receipt of such notice, such property shall be deemed abandoned) and shall, at the Landlord's election (i) be disposed of in any manner selected by the Landlord, at the Tenant's expense, or (ii) become the property of the Landlord. The Tenant will promptly repair any damage to the Tenant Areas or the Terminal resulting from the removal of any items of Tenant's Property.

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

5. Alterations to Common Use Areas and Public Area by the Landlord. The Landlord reserves the right to change the arrangement, design, number and location of entrances, passageways, doors, doorways, corridors, elevators, stairways, restrooms, roads, sidewalks, landscaping and other parts of the Common Use Areas, Public Area, and other areas of the Terminal and the Airport (but not any part of the Demised Premises, as to which the Landlord will not make any changes except as may be required in connection with the Landlord's

performance of its obligations hereunder or the exercise of the Landlord's rights specifically elsewhere set forth in this Lease), provided that the Landlord will not exercise its rights under this Section 5 so as to affect the entrances, passageways, doors, doorways, lobby and other hallways, corridors and stairways providing access to the Demised Premises if access to the Demised Premises, or the use or enjoyment thereof, would be unreasonably interfered with or impaired.

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

7. Access to Demised Premises.

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

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

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

8. Utilities.

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

for connecting the Demised Premises to utility service facilities. To the extent that the Landlord is charged for the Tenant's use of any utilities, the Tenant shall pay the Landlord for the Landlord's costs for the Tenant's use of such utilities.

8.2. Landlord Not Liable. The Landlord will not be liable to the Tenant for any failure, defect, impairment or deficiency in the supply of any utility service furnished to the Demised Premises or in any system supplying the service.

8.3. Interruptions of Service. The Landlord reserves the right to temporarily interrupt the services provided by the Terminal's heating, ventilation, air conditioning, elevator, plumbing and electrical systems or other systems in the Terminal when necessary by reason of accident or emergency or for repairs, alterations, replacements or improvements. The Landlord shall provide reasonable notice to the Tenant prior to the interruption of such services, and shall make good faith efforts not to interrupt such services.

9. Maintenance and Repair.

9.1. Maintenance and Repair by Tenant.

9.1.1. At the Tenant's expense, and to the extent identified on the maintenance schedule attached to this Lease as Schedule 2, the Tenant will maintain the Demised Premises and will make all repairs to the Demised Premises and to all the fixtures, equipment and appurtenances therein and in and around the Terminal as identified in Schedule 2 as and when needed to preserve them in good working order and good and safe condition. Notwithstanding the foregoing, all damage to the Demised Premises and the fixtures, equipment and appurtenances therein, or the Terminal, in each case requiring structural repairs or requiring repairs that affect the systems in the Terminal, and all damage or injury to any system in the Terminal, caused by or resulting from the negligence of the Tenant, its servants, employees, agents, customers, invitees or licensees, shall be repaired by the Landlord, at the Tenant's expense, payable within 30 days after the Landlord's delivery of an invoice therefor. Without limiting the generality of the remedies available to the Landlord for any breach of this Lease under Section 17, if, in the reasonable determination of the Landlord, the Tenant shall have regularly failed to maintain equipment in the Tenant Areas, the Landlord may elect, upon notice to the Tenant and after reasonable time to make repairs, to maintain the neglected equipment (directly or through third-party contractors and at the Tenant's expense payable promptly after the Landlord's delivery of invoices therefor from time to time) for all or any portion of the remainder of the Term. All damage or injury to the Terminal, the Demised Premises or its fixtures, equipment and appurtenances therein or thereto caused by the Tenant's removal of furniture, fixtures or other property, shall be repaired to its condition existing before the damage or injury, or restored or replaced promptly by the Tenant at its expense. The Tenant will at all times keep the Demised Premises free and clear of wastepaper, discarded plastic, graffiti, and all other trash and debris of any kind. The Tenant hereby waives the provisions of subsection 1 of Section 1932 and of Sections 1941 and 1942 of the California Civil Code or any successor or similar provision of law, now or hereafter in effect.

(a) Maintenance of Baggage Handling Systems.

(i) From the Commencement Date to the later of (i) July 1, 2013, or (ii) upon the 30th day following a 30 days advance written notice from the Landlord to the Tenant of the transfer or operation and maintenance responsibilities of the Baggage Handling Systems in the Terminal from the Landlord to the Tenant pursuant to this Section 9.1.1(a)(i) which date shall not be later than (a) the U.S. Airways relocation date from the Terminal to Terminal 3 or (b) July 1, 2014, the Landlord shall be responsible for operating and maintaining the Baggage Handling Systems in the Terminal. From the later of (i) July 1, 2013, or (ii) upon the 30th day following a 30 days advance written notice from the Landlord to the Tenant of the transfer or operation and maintenance responsibilities of the Baggage Handling Systems in the Terminal from the Landlord to the Tenant pursuant to this Section 9.1.1(a)(i) which date shall not be later than (a) the U.S. Airways relocation date from the Terminal to Terminal 3 or (b) July 1, 2014, through the end of the Term, the Tenant shall be responsible for operating and maintaining the Baggage Handling Systems in the Terminal, including, but not limited to, the baggage conveyor components and carousels, the mechanical, plumbing, electrical, structural, telecommunications infrastructure, and the computer hardware and software required to support the baggage sortation system and checked baggage inspection system screening matrix, in good working order and in good and safe condition on behalf of all Terminal Users in the Terminal. The Landlord shall provide thirty (30) days advance written notice to the Tenant of the transfer of operation and maintenance responsibilities of the Baggage Handling Systems in the Terminal from the Landlord to the Tenant.

(ii) If the Tenant fails to operate the Baggage Handling Systems in a reasonable and nondiscriminatory matter, then the Executive Director, without further action of the Board or City Council, and following 90 days notice to the Tenant, shall have the right to terminate the lease of the Baggage Handling Systems and Sections 3.5.2(a), 3.5.2(b)(ii), and 3.5.2(c) shall no longer be effective upon the termination of the lease of the Baggage Handling Systems. If the Landlord terminates the lease of the Baggage Handling Systems to the Tenant, (i) the Tenant will surrender the space where the Baggage Handling Systems is located ("Baggage Handling Systems Space") on the Baggage Handling Systems lease termination date, (ii) the Baggage Handling Systems Space shall be eliminated from the provisions of this Lease, (iii) the Base Rent shall be recalculated after subtracting the square footage of the Baggage Handling Systems Space from the then square footage of the Demised Premises immediately before the Baggage Handling Systems lease termination, and (iv) any necessary proration of the Base Rent will be made as if, for the Baggage Handling Systems Space, the date of the surrender of the space

were the last day of the Term. Upon termination of the Baggage Handling Systems lease, the Tenant shall be subject to the common use fees and charges for the use of the Baggage Handling Systems pursuant to the terms of the Tariff.

(b) Maintenance of the Loading Bridges. From the Commencement Date to the later of (i) July 1, 2013, or (ii) upon the 30th day following a 30 days advance written notice from the Landlord to the Tenant of the transfer or operation and maintenance responsibilities of the Existing Loading Bridges and Existing Related Equipment in the Terminal from the Landlord to the Tenant pursuant to this Section 9.1.1(b) which date shall not be later than (a) the U.S. Airways relocation date from the Terminal to Terminal 3 or (b) July 1, 2014, the Landlord shall be responsible for operating and maintaining the Existing Loading Bridges and Existing Related Equipment in the Terminal. From to the later of (i) July 1, 2013, or (ii) upon the 30th day following a 30 days advance written notice from the Landlord to the Tenant of the transfer or operation and maintenance responsibilities of the Existing Loading Bridges and Existing Related Equipment in the Terminal from the Landlord to the Tenant pursuant to this Section 9.1.1(b) which date shall not be later than (a) the U.S. Airways relocation date from the Terminal to Terminal 3 or (b) July 1, 2014, through the end of the Term, the Tenant shall be responsible for operating and maintaining (i) the Existing Loading Bridges and the Existing Related Equipment, and (ii) the New Loading Bridges and the New Related Equipment purchased by the Landlord pursuant to Section 1.4.3(b) pursuant to manufactures' specified maintenance and operating requirements, in good working order and in good and safe condition.

9.1.2. The Tenant may, with the prior written approval of the Executive Director, which approval shall not be unreasonably withheld, enter into written subcontracts for the operation and maintenance of areas and equipment that are under the Tenant's responsibility pursuant to Section 9.1.1; provided, however, that the Tenant shall remain solely responsible to the Landlord for the quality and performance of such operations. Further, the Tenant shall cause such subcontractors to (i) maintain insurance, with such endorsements as the Landlord may request, (ii) provide appropriate indemnities on behalf of the Landlord as requested by the Landlord, and (iii) comply with all applicable Legal Requirements.

9.1.3. The Landlord shall have the right to assume the maintenance and repair responsibilities of the areas and equipment that are under the Tenant's responsibility pursuant to Section 9.1.1 at any time during the Term. If the Landlord opts to assume such responsibilities, the Landlord shall provide the Tenant with 60 days advance written notice and Schedule 2 shall be amended accordingly by the Executive Director to reflect such change, subject to City Attorney approval as to form.

9.2 Maintenance and Repair by the Landlord. At the Landlord's expense, the Landlord will maintain the Public Area and will make all repairs to the Public Area, and to all the fixtures, equipment and appurtenances therein (but excluding Tenant's Property and the

property of other tenants of the Terminal), as and when needed to preserve them in good working order and good and safe condition. The Landlord may in its discretion elect to delegate some or all of its obligations under this Section 9.2 to any Person (including the Tenant and one or more of the other Terminal Users), under such terms as the Landlord and the Person may agree.

10. Indemnity; Insurance.

10.1. Indemnity. The Tenant will indemnify the Landlord against and hold the Landlord harmless from all expenses (including reasonable attorneys' fees and disbursements), liabilities, losses, damages or fines incurred or suffered by the Landlord by reason of (i) any breach or nonperformance by the Tenant, or its agents, employees, contractors, customers and invitees, of any covenant or provision of this Lease to be observed or performed on the part of the Tenant, (ii) the carelessness, negligence or willful misconduct of the Tenant, or its agents, employees, contractors and invitees in, on or about the Demised Premises or arising out of Tenant's occupancy of the Demised Premises, and (iii) all Environmental Losses arising from the Tenant's Application of Hazardous Materials at the Airport. The Landlord will promptly notify the Tenant of any claim asserted against the Landlord for which the Tenant may be liable under this Section 10.1 and will promptly deliver to the Tenant the original or a true copy of any summons or other process, pleading, or notice issued in any suit or other proceeding to assert or enforce the claim. If the Tenant becomes aware of any claim asserted against the Landlord for which the Tenant may be liable under this Section 10.1, and of which the Tenant has not yet been notified by the Landlord under the provisions of the immediately preceding sentence, the Tenant will promptly notify the Landlord of the claim. If any claim, action or proceeding is made or brought against the Landlord for which claim, action or proceeding the Tenant would be liable under this Section 10.1, upon demand by the Landlord, the Tenant, at its expense, will defend the claim, action or proceeding, in the Landlord's name, if necessary, by such attorneys as the Landlord shall approve, which approval shall not be unreasonably withheld. Attorneys for the Tenant's insurance carrier are deemed approved for purposes of this Section 10.1 (and if the Tenant's insurance carrier offers the Tenant more than one choice of counsel, the Tenant will select the counsel provided by the insurance carrier that is reasonably acceptable to the Landlord). The Tenant shall, in any event, have the right, at the Tenant's expense, to participate in the defense of any action or other proceeding brought against the Landlord and in negotiations for and settlement thereof if, under this Section 10.1, the Tenant may be obligated to reimburse the Landlord in connection therewith. The Landlord in its discretion may settle any claim against it that is covered by the Tenant's indemnity in this Section 10.1, if the Landlord shall first have provided notice to the Tenant of the Landlord's intention to settle the claim and the material terms of the proposed settlement and if the Tenant does not object to the proposed settlement within five Business Days of its receipt of the notice (or, if the Tenant receives immediate notice of the offer of settlement and its terms, such lesser time as was given as a condition of the settlement offer). In the case of any claim for which the Landlord's proposed settlement includes the payment of more than \$100,000, the Landlord may settle the claim over the Tenant's objection unless the Tenant furnishes the Landlord with either (i) a bond in an amount equal to the claim in a form and from a surety reasonably satisfactory to the Landlord, or (ii) other security reasonably satisfactory to the Landlord. For the purposes of this Section 10.1 and any other indemnity by the Tenant in this Lease, any indemnity of the Landlord shall be deemed to include an indemnity of the Board and all of the Landlord's officers, employees and agents.

10.2 Insurance. The Tenant will obtain and keep in full force and effect during the Term, at its expense, policies of insurance of the types, with the coverages and insuring the risks specified in the insurance schedule attached to this Lease as Schedule 3. Based on its periodic review of the adequacy of insurance coverages, the Landlord may from time to time, but not more than once in each Lease Year, in the exercise of its reasonable judgment revise the types of insurance required to be maintained by the Tenant, the risks to be insured and the minimum policy limits, on 30 days' prior notice to the Tenant. All policies of insurance required to be maintained by the Tenant under this Section 10.2 (a) shall be primary and noncontributing with any other insurance benefiting the Landlord where liability arises out of or results from the acts or omissions of the Tenant, its agents, employees, officers, assigns or any other Person acting on behalf of the Tenant, and (b) may provide for reasonable deductibles or retention amounts satisfactory to the Landlord based upon the nature of the Tenant's operations and the risks insured. Without limiting the generality of Section 10.1 or the remedies available to the Landlord for any breach of this Lease under Section 17, if the Tenant does not furnish the Landlord with evidence of insurance and maintain insurance in accordance with this Section 10.2, the Landlord may, but shall not be obligated to, procure the insurance at the expense of the Tenant, in which event the Tenant will promptly reimburse the Landlord for any amounts advanced by the Landlord in procuring the insurance, together with a charge of 15% of the amounts so advanced for the Landlord's administrative costs in so doing. The Tenant will provide proof of all insurance required to be maintained by this Section 10.2 by (a) production of the certificate of insurance with endorsements, with additional insured endorsements, (b) production of certified copies of the actual insurance policies containing additional insured and 30-day cancellation notice language, or (c) broker's letter satisfactory to the Landlord in substance and form only in the case of foreign insurance syndicates. Verifications, memoranda of insurance and other non-binding documents submitted alone are not acceptable proof of insurance. The documents evidencing all specified coverages shall be filed with the Landlord in duplicate and shall be procured and approved in strict accordance with the provisions in Sections 11.47 through 11.56 of Administrative Code of the City of Los Angeles before the Tenant occupies the Demised Premises or any other portions of the Tenant Areas. The documents evidencing the coverages shall contain the applicable policy number, the inclusive dates of policy coverages, and the insurance carrier's name, and shall bear an original signature of an authorized representative of the carrier. The Landlord reserves the right to have submitted to it, upon request, all pertinent information about the agent and carrier providing any policy of insurance required by this Section 10.2. Policies of insurance issued by non-California admitted carriers are subject to the provisions of California Insurance Code Sections 1760 through 1780, and any other regulations and directives from the California Department of Insurance or other regulatory board or agency. Unless exempted, the Tenant will provide the Landlord with proof of insurance from the non-California admitted carriers through a surplus lines broker licensed by the State of California. The Tenant will promptly furnish the Landlord with (i) notice of cancellation or change in the terms of any policy of insurance required to be maintained by this Section 10.2, and (ii) evidence of any renewals, replacement or endorsements of or to the policies (and, in the case of renewals or replacements, no later than 2 days after the expiration of the corresponding existing policy).

10.3. Carriers; Policy Provisions. All insurance policies referred to in Section 10.2 that are carried by the Tenant shall be maintained with insurance companies of recognized standing and with an A.M. Best rating of A-IV or better (or its equivalent). Each insurance policy

referred to in Section 10.2 shall also, whether under the express provisions of the policy or by other endorsement attached to the policy, include the Landlord, the Board and all of the Landlord's officers, employees, and agents, as additional insureds for all purposes of the policy. Each insurance policy referred to in Section 10.2 (other than policies for workers' compensation, employers' liability and fire and extended coverages) shall contain (a) a "Severability of Interest (Cross Liability)" clause stating "It is agreed that the insurance afforded by this policy shall apply separately to each insured against whom claim is made or suit is brought except with respect to the limits of the company's liability", and (b) a "Contractual Endorsement" stating "Such insurance as is afforded by this policy shall also apply to liability assumed by the insured under its lease of property at Los Angeles International Airport with the City of Los Angeles." Each insurance policy referred to in Section 10.2 shall provide that the insurance provided under the policy shall not be subject to cancellation, reduction in coverage, or nonrenewal except after written notice, at least 30 days before the effective date, by mail to the Landlord at its address specified in or under the provisions of Section 23.

11. Liens, etc. The Tenant will not permit to be created or to remain, and will discharge (by payment, filing of an appropriate bond or otherwise), any lien, deed of trust, mortgage or other encumbrance affecting the Demised Premises caused or created by the Tenant, including any mechanic's liens arising from any work performed for the benefit of the Tenant, or, to the extent caused or created by the act of the Tenant, the Airport or any part thereof, other than (i) this Lease, (ii) any encumbrance affecting the Demised Premises or the Airport and arising solely from any act or omission of the Landlord or any Person claiming by, through or under the Landlord (other than the Tenant or any Person claiming by, through or under the Tenant), (iii) liens or other encumbrances being contested under Section 13, and (iv) inchoate liens of mechanics, materialmen, suppliers or vendors, or rights thereto incurred by the Tenant in the ordinary course of business for sums that under the terms of the related contracts are not yet due. Notice is hereby given that the Landlord shall not be liable for any labor or materials furnished or to be furnished to the Tenant upon credit, and that no mechanics' or other lien for any such labor or materials shall attach to or affect the reversion or other estate or interest of the Landlord in and to the Airport, the Terminal, the Tenant Areas or the Demised Premises. Without limiting the generality of Section 10.1 or the remedies available to the Landlord for any breach of this Lease under Section 17, if the Tenant does not, within 30 days following the imposition of any lien, deed of trust, mortgage or other encumbrance caused or created by the Tenant, including any mechanic's liens arising from any work performed for the benefit of the Tenant, that the Tenant is required to discharge (any of the foregoing being referred to as an "Impermissible Lien"), cause the Impermissible Lien to be released of record by payment or posting of a proper bond or otherwise, the Landlord shall have, in addition to all other remedies provided by law, the right, but not the obligation, upon ten Business Days prior notice to the Tenant, to cause the Impermissible Lien to be released by such means as the Landlord shall deem proper, including payment in satisfaction of the claim giving rise to the Impermissible Lien. All sums paid by the Landlord and all expenses incurred by it in connection with the release of the Impermissible Lien, including costs and attorneys fees, shall be paid by the Tenant to the Landlord on demand.

12. Compliance with Legal Requirements and Insurance Requirements, etc. The Tenant at its expense will comply with all current and future Legal Requirements and Insurance Requirements (other than Legal Requirements and Insurance Requirements being contested

under Section 13) that impose any violation or obligation upon the Landlord or the Tenant relating to the Demised Premises or the use or occupancy thereof. Without limiting the generality of the foregoing, but subject to the provisions of Section 13, the Tenant will, at the Tenant's expense, comply with any Legal Requirement that requires repairs or alterations within the Demised Premises so as to cause the Demised Premises to comply with the Americans with Disabilities Act, California Financial Code Section 13082 regarding touch-screen devices, and any other Legal Requirements regarding access of disabled persons to the Demised Premises, including any services, programs or activities provided by the Tenant. The Tenant will cooperate with the Landlord in the Landlord's efforts to ensure compliance by the Airport with all applicable Legal Requirements, including Legal Requirements regarding access of disabled persons to the Airport. The Tenant will cooperate with the Landlord and participate in and comply with activities organized by the Landlord and to comply with any governmental agency mandates, including recycling programs. The Landlord will not be liable to the Tenant, nor shall the Tenant be entitled to terminate this Lease in whole or in part, by reason of any diminution or deprivation of the Tenant's rights or benefits under this Lease that may result from the Tenant's obligation to comply with applicable Legal Requirements. If and when the Landlord implements or amends any rules and regulations applicable to the Tenant or to the Terminal, or to the Airport or any part thereof, the Landlord shall comply with any consultation requirements of this Lease or of any applicable Legal Requirement, including Federal Aviation Administration regulations.

13. Permitted Contests. The Tenant at its expense may contest by appropriate legal proceedings conducted in good faith and with due diligence (i) the amount or validity or application, in whole or in part, of any claims of contractors, mechanics, materialmen, suppliers or vendors or liens therefor and (ii) the interpretation or applicability of any Legal Requirement or Insurance Requirement affecting the Demised Premises or any part thereof and may withhold payment and performance of the foregoing (but not the payment of any amount or the performance of any term for which the Tenant is otherwise obligated to the Landlord under this Lease) pending the outcome of the proceedings if permitted by law, provided that (A) in the case of any claims of contractors, mechanics, materialmen, suppliers or vendors or lien therefor, the proceedings shall suspend the collection thereof from the Landlord and any part of the Airport, (B) in the case of any lien of a contractor, mechanic, materialman, supplier or vendor, the lien has been discharged by bonding or otherwise, (C) in the case of any lien of a contractor, mechanic, materialman, supplier or vendor, the lien does not encumber any interest in any part of the Airport other than the Tenant's interest in the Demised Premises and the lien will not adversely affect the ongoing operation or leasing of any part of the Airport, (D) in the case of a Legal Requirement or an Insurance Requirement, the cost of compliance with which is reasonably estimated to exceed \$50,000, as adjusted by the CPI from July 1, 2005 to the date of determination, the Tenant will furnish to the Landlord either (x) a bond of a surety company reasonably satisfactory to the Landlord, in form and substance reasonably satisfactory to the Landlord, and in the amount of the lien or the cost of compliance (as reasonably estimated by the Landlord) or (y) other security reasonably satisfactory to the Landlord, (E) neither the Airport nor any part thereof nor interest therein would be sold, forfeited or lost, (F) in the case of a Legal Requirement, the Landlord shall not be subject to any criminal liability, and neither the Airport nor any interest therein would be subject to the imposition of any lien or penalty, as a result of the failure to comply during the pendency or as a result of the proceeding, (G) in the case of an Insurance Requirement, the failure of the Tenant to comply therewith shall not cause the insurance premiums payable by the Landlord for the Airport to be greater than they otherwise

would be, (H) in the case of any Legal Requirement or Insurance Requirement, the failure of the Tenant to comply therewith during the contest will not adversely affect the ongoing operation or leasing of the Airport, and will not subject the Landlord to any civil liability, and (I) the Tenant shall have furnished such security, if any, as may be required in the proceedings.

14. Damage or Destruction.

14.1. Tenant to Restore. If the Terminal or the Demised Premises shall be damaged or destroyed by fire or other casualty (and if this Lease shall not have been terminated as provided in Section 14.2), then, whether or not (i) the damage or destruction shall have resulted from the fault or neglect of the Tenant or any other Person, or (ii) the insurance proceeds shall be adequate therefor, the Tenant will repair the damage, and restore the Demised Premises at the Tenant's expense, promptly and expeditiously and with reasonable continuity, to the same or better condition as existed before the casualty and in such a manner as is otherwise consistent with this Lease and the Tenant's uses of the Demised Premises, in each case subject to all then existing Legal Requirements; provided, however, that (w) any such repair and restoration obligation of the Tenant shall be contingent upon the Landlord's repair and restoration of the Terminal and all structural components (which for greater clarity, shall also include the main trunk line for electrical and plumbing, but which shall not include the Tenant's improvements, fixtures, equipment, electrical connecting to the main trunk line, plumbing connecting to the main trunk line, and other property) of the Demised Premises, (x) in accordance with Section 9.2 Landlord shall make all repairs and restoration necessary in the Public Area (y) if the damage or destruction resulted from any plumbing, electrical or structural failure, then Landlord shall be responsible for all related repairs and restoration and (z) any such repair, reconstruction or restoration by the Tenant would be without prejudice to the Tenant's rights (or of its insurers) to claim any amounts incurred by such reconstruction to the responsible party. If the damage or destruction is such that renders the Demised Premises unusable, the Landlord shall use reasonable efforts to relocate the Tenant to comparable alternative facilities (in size and functionality) during such repair and restoration. Any repair or restoration by the Tenant of the Demised Premises following a casualty shall be considered an Alteration for the purposes of Section 4. Notwithstanding the foregoing sentence, the Tenant shall not be required to obtain the Landlord's consent for the reasonably detailed preliminary plans for the Alteration pursuant to Section 4.3 if such preliminary plans are for repair or restoration to return the Demised Premises to substantially the same condition that existed immediately prior to the casualty. If as a result of the repairs or restoration, a new certificate of occupancy shall be necessary for the Demised Premises, the Tenant will obtain and deliver to the Landlord a temporary or final certificate of occupancy before the damaged portions of the Demised Premises shall be reoccupied for any purpose.

14.2. Termination of Lease.

14.2.1. Destruction at End of Term. If a Substantial Destruction shall occur during the last 18 months of the Term, and the repair or restoration necessitated by the Substantial Destruction, under normal construction procedures would, in the Landlord's reasonable judgment, require more than three months to complete, then the Landlord will so notify the Tenant, and the Landlord or the Tenant may terminate this Lease upon notice to the other given within 30 days after the Substantial Destruction. The date fixed

in the Landlord's notice of the termination of this Lease shall be not earlier than 30 days following the delivery of the notice.

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

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

14.2.4. Effect of Termination. In the event of the termination of this Lease under the provisions of Section 14.2.1, 14.2.2, or 14.2.3, this Lease shall expire (subject to the provisions of Section 25.17) as fully as of the earlier of (i) the date on which the Tenant could no longer operate from the Demised Premises as a result of such casualty or (ii) on the date fixed in the notice of termination, in each case, as if such date were the date originally fixed for the expiration of the Term, and the Tenant will vacate the Tenant Areas and surrender them to the Landlord on the date fixed for termination. The Base Rent and additional rent shall be apportioned and paid by the Tenant up to and including the date of termination. If the Tenant elects to terminate this Lease under the provisions of Section 14.2.1 or 14.2.3, the Tenant will (at the Tenant's expense), unless otherwise directed by the Landlord, demolish all damaged improvements in the Demised Premises and remove and properly dispose of the debris.

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

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

15. Eminent Domain.

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

15.2. Partial Taking. If there shall occur a Taking (other than for temporary use) of any part of the Terminal, and if the Taking shall not constitute a Total Taking (a "Partial Taking"), the Tenant may elect to terminate this Lease if the Partial Taking shall be of a portion of the Terminal such that, in the Tenant's reasonable judgment (taking into account any alternatives

proposed by the Landlord), the remaining portion of the Tenant Areas shall not be adequate for the proper conduct of the Tenant's operations. The Tenant will give at least 30 days notice of the Tenant's election to the Landlord not later than 60 days after the later to occur of (i) the delivery by the Landlord to the Tenant of notice of the Partial Taking, and (ii) the Taking Date. If the Tenant does not elect to terminate this Lease as provided above, this Lease shall nonetheless be considered terminated with respect to the Tenant Areas subject to the Partial Taking and the Tenant's rental obligation hereunder shall be adjusted accordingly to account for such Partial Taking.

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

15.4. Temporary Taking.

15.4.1. In General. If there shall occur a Taking for temporary use of all or part of the Tenant Areas, the Tenant shall be entitled, except as hereinafter set forth, to receive the portion of the award for the Taking that represents compensation for the use and occupancy of the Tenant Areas, for the taking of the Tenant's Property, for any Alterations made to the Tenant Areas after the Commencement Date at the Tenant's expense, for moving expenses, and for the cost of restoration of the Demised Premises. Subject to the provisions of Section 15.4.2, the Tenant's rights and obligations under this Lease shall be unaffected by the Taking for temporary use and the Tenant shall continue to be responsible for the performance of all of its obligations hereunder except insofar as the performance is rendered impractical by the Taking. If the period of temporary use or occupancy shall extend beyond the expiration date of the Term, the portion of the award that represents compensation for the use or occupancy of the Tenant Areas shall be apportioned between the Landlord and the Tenant so that the Tenant shall receive so much thereof as relates to the period before the expiration date and the Landlord shall receive so much thereof as relates to the period after the expiration date. All payments to which the Tenant may be entitled as part of an award for temporary use or occupancy for a period beyond the date to which the Base Rent and additional rent hereunder have been paid by the Tenant shall be payable to the Landlord, to be held by it as a trust fund for payment of the Base Rent and additional rent falling due hereunder and shall be applied by the Landlord to the Base Rent and additional rent as the Base Rent and additional rent fall due. If the Tenant receives an award for the Taking to compensate the Tenant for its use and occupancy of the Tenant Areas, for the Taking of the Tenant's Property, for any

Alterations made to the Tenant Areas after the Commencement Date at the Tenant's expense, for moving expenses and for the cost of restoration of the Demised Premises, the Tenant shall not be entitled to any abatement of Base Rent or any additional rent during any Taking for temporary use or occupancy. If the Tenant does not receive such award, the Tenant's rental obligation hereunder shall be adjusted accordingly to account for and during the time of such temporary Taking.

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

15.5. Restoration. In the event of any Taking of any portion of the Terminal that does not result in a termination of this Lease, the Tenant will repair, alter and restore the remaining part of the Demised Premises, at the Tenant's expense, promptly and expeditiously and with reasonable continuity, so as to constitute (to the maximum extent feasible) a complete and tenantable Demised Premises that shall be substantially comparable in quality and service to the Demised Premises, as they existed immediately before the Taking; provided, however, that if such Taking is exercised by the City of Los Angeles, such repairs, alterations and restoration shall be made at the Landlord's expense. All repairs, alterations or restoration shall otherwise be performed in substantially the same manner and subject to the same conditions as provided in Section 14.1 relating to damage or destruction.

15.6. Effect of Termination. In the event of the termination of this Lease under the provisions of Sections 15.1, 15.2, or 15.4.2, this Lease shall expire (subject to the provisions of Section 25.17) as fully on the date specified herein for termination, or fixed in the applicable notice of termination, as if that were the date originally fixed for the expiration of the Term, and the Tenant will vacate the Tenant Areas and surrender them to the Landlord on the date of termination. The Base Rent and additional rent shall be apportioned and paid by the Tenant up to and including the date of termination.

16. Assignment, Subletting, Gate Use.

16.1. Landlord's Consent Required. Subject to the provisions of Section 16.2, the Tenant will not assign, mortgage or encumber this Lease without the prior written consent of the Board, nor sublet, license, nor sublicense the Demised Premises or any part thereof, without the prior written consent of the Executive Director, in each instance, and any such assignment, mortgage, encumbrance, license, subletting, or sublicensing made without the consent of the Board, or the Executive Director, as applicable, shall be void. The Landlord may withhold its consent to any assignment, mortgage or encumbrance of this Lease, or any subletting, license, or sublicense of the Demised Premises or any part thereof in the exercise of the Landlord's reasonable discretion. The consent by the Landlord to any assignment, mortgage, encumbrance, license, subletting, or sublicensing shall not relieve the Tenant from obtaining the consent of the Landlord to any other or further assignment, mortgage, encumbrance, license, subletting, or

sublicensing not expressly permitted by this Section 16. Any Person accepting an assignment of this Lease shall be deemed to have assumed all of the obligations of the Tenant hereunder. Any license or sublicense of the Tenant Areas or any portion thereof shall be deemed a subletting for all purposes of this Section 16. For the purposes of this Section 16, any merger or consolidation of the Tenant (in which the Tenant is not the surviving party), any sale of substantially all of the assets of the Tenant, any other circumstance that results in an assignment of this Lease by operation of law, and the transfer (as part of a single plan of transfer) of 50% or more of the voting securities of the Lessee shall be deemed an assignment of this Lease subject to the provisions of this Section 16.

16.2. Sublettings, Assignments and Gate Use.

16.2.1. Sublettings. If the Tenant wishes to sublet any portion of the Demised Premises, the Tenant will notify the Landlord of the Tenant's intention to sublet, including (i) a description of the portion of the Demised Premises that the Tenant intends to sublet (the "Proposed Sublease Space"), and (ii) the date on which the Proposed Sublease Space will become available, which date shall be no later than six months following the delivery of the notice. If (x) the Tenant has not met its Minimum Utilization Requirement, the proposed sublease is a result of an accommodation pursuant to Section 19.5.4, and the proposed sublease is for a Gate and does not include a notice of termination provision requiring at least six (6) months advance notice of termination by the Tenant to the subtenant, or (y) the proposed sublease is for space other than a Gate, and such proposed sublease is (A) to an entity not operating in the Terminal, or (B) to an entity that is not providing services to the Tenant, the Landlord may, within 30 days after delivery of the Tenant's notice, elect by notice to the Tenant to recapture or not to recapture the Proposed Sublease Space in accordance with the provisions of Section 16.2.2. If the Landlord fails to timely make either election, the Landlord will be deemed to have made an election not to recapture the Proposed Sublease Space, with the same effect as if that election had been made. Before subletting the Demised Premises or any portion thereof, the Tenant will submit to the Landlord a request for the Landlord's consent to the subletting, which request shall contain or be accompanied by the following information: (i) the name and address of the proposed subtenant, (ii) the basic economic terms and conditions of the proposed subletting, (iii) the nature and character of the business of the proposed subtenant and of its proposed use of the Demised Premises, and (iv) current financial information as to the proposed subtenant. Within 30 days following the Landlord's receipt of the request for consent to the proposed subletting (and of the Landlord's receipt of such further financial and other information regarding the proposed subtenant as the Landlord may reasonably request), the Landlord will advise the Tenant whether the Landlord consents to the proposed subtenant. If the Landlord approves the proposed subtenant, the Landlord shall have the further right to approve the form of sublease, which approval shall not be unreasonably withheld. Within 30 days following the Tenant's request for the Landlord's consent to the form of the sublease (which request shall include an original or copy of the fully executed sublease), the Landlord will advise the Tenant as to whether the Landlord consents to the form.

16.2.2. Recapture of Sublet Space. If the Landlord elects to recapture Proposed Sublease Space in accordance with the provisions of Section 16.2.1, (i) the Tenant will

surrender the Proposed Sublease Space on the date specified in the Tenant's notice referred to in the first sentence of Section 16.2.1, in the condition required by the provisions of this Lease, (ii) the Proposed Sublease Space shall be eliminated from the Demised Premises, (iii) the Base Rent shall be recalculated after subtracting the square footage of the Proposed Sublease Space from the then square footage of the Demised Premises immediately before the recapture, (iv) any other additional rent payable for any period from and after the date of the recapture shall be appropriately adjusted, (v) any necessary proration of the Base Rent, and all other additional rent will be made as if, for the Proposed Sublease Space, the date of the recapture were the last day of the Term, and (vi) the Tenant will reimburse the Landlord, promptly upon request, for the Landlord's reasonable costs of separately demising the Proposed Sublease Space, in a manner mutually acceptable to the Landlord and the Tenant, and (vii) the Tenant shall be released from all liability or obligations hereunder relating to the Proposed Sublease Space except such liabilities or obligations that occurred during the Tenant's occupancy and which expressly survive termination of this Lease. If the Proposed Sublease Space is all of the Demised Premises (or so much of the Demised Premises that, in the Landlord's reasonable opinion, no other potential Terminal User could make use of the remaining Demised Premises for the purpose of conducting passenger flight operations from the Terminal), and if the Landlord elects to recapture the Proposed Sublease Space in accordance with the provisions of Section 16.2.1, (i) the Tenant will surrender the Demised Premises on the date specified in the notice referred to in the first sentence of Section 16.2.1, in the condition required by the provisions of this Lease, (ii) the Base Rent and all additional rent will be prorated as of the date of the recapture, and (iii) this Lease will terminate (subject to the provisions of Section 25.17) as of the date of the recapture.

16.2.3. Assignments. If the Tenant wishes to assign this Lease, the Tenant will notify the Landlord of its intention to assign and the date on which the Demised Premises will become available, which date shall be no later than twelve months following the delivery of the notice. The Landlord may, within 30 days after the delivery of the Tenant's notice, elect by notice to the Tenant to recapture the Demised Premises in accordance with the provisions of this Section 16.2.3. If the Landlord fails timely to make either election, the Landlord will be deemed to have made an election not to recapture the Demised Premises, with the same effect as if that election had been made. If the Landlord elects to recapture the Demised Premises, in accordance with the provisions of this Section 16.2.3, (i) the Tenant will surrender the Tenant Areas on the date specified in the notice referred to in the first sentence of this Section 16.2.3, in the condition required by the provisions of this Lease, (ii) the Base Rent and all additional rent will be prorated as of the date of the recapture, and (iii) this Lease will terminate (subject to the provisions of Section 25.17) as of the date of the recapture. Before assigning this Lease, the Tenant will submit to the Landlord a request for the Landlord's consent to the assignment, which request shall contain or be accompanied by the following information: (i) the name and address of the proposed assignee, (ii) the basic economic terms and conditions of the proposed assignment, (iii) the nature and character of the business of the proposed assignee and of its proposed use of the Demised Premises, and (iv) current financial information as to the proposed assignee. Within 30 days

following the Tenant's request for the Landlord's consent to an assignment, the Landlord will advise the Tenant as to whether the Landlord consents to the assignment.

16.3. Terms of all Sublettings, etc. Every subletting by the Tenant is subject to the express condition, and by accepting a sublease hereunder each subtenant shall be conclusively deemed to have agreed, that the sublease is subject to all of the provisions of this Lease, and that if this Lease should be terminated before its expiration date or if the Landlord shall succeed to the Tenant's estate in the Demised Premises, then, at the Landlord's election (i) the subtenant shall attorn to and recognize the Landlord as the subtenant's landlord under the sublease and the subtenant will promptly execute and deliver any instrument the Landlord may reasonably request to evidence the attornment, or (ii) the Landlord may terminate the sublease in the exercise of the Landlord's discretion. The Tenant shall remain fully liable for the performance of all of the Tenant's obligations hereunder notwithstanding any assignment of this Lease or subletting of any portion of the Demised Premises and, without limiting the generality of the foregoing, shall remain fully responsible and liable to the Landlord for all acts and omissions in violation of any of the provisions of this Lease of any subtenant or anyone claiming by, through or under any subtenant. Each sublease of all or a portion of the Demised Premises shall expressly prohibit the subtenant thereunder from further subletting any portion of the subleased premises without the consent of the Landlord and the Tenant. In the case of any sublease entered into by the Tenant under Section 16.2.1, the sublease shall not be effective until the Tenant and the proposed subtenant shall have executed and delivered to the Landlord the Landlord's customary form of consent to subletting. In no event will the Tenant knowingly (i) enter into a sublease with any Person entitled to claim sovereign immunity other than the federal government, or (ii) enter into an assignment with any Person entitled to claim sovereign immunity. No assignment of this Lease shall be binding upon the Landlord unless (i) the assignment is approved by the Landlord, and (ii) the assignee shall execute and deliver to the Landlord an instrument, recordable in form, under which the assignee agrees unconditionally to be personally bound by and to perform all of the obligations of the Tenant hereunder. A failure or refusal of the assignee to execute or deliver such an instrument shall not release the assignee from its liability for the obligations of the Tenant assumed by the acceptance of the assignment of this Lease.

16.4. Gate Use.

16.4.1. The Tenant agrees that prior to licensing or permitting the use of Gates to other airlines (the "Handled Airline") through handling agreements, codeshare agreements, alliance agreements or otherwise, the Tenant shall, by written notice, notify the Landlord 30 days prior to such proposed use. The Landlord shall have the right at any time to object to the use by the Handled Airline of Gates and shall have the right to require the Tenant to terminate such use by the Handled Airline of Gates upon 60 days advance written notice; *provided, however*, that if the proposed Handled Airline is an Affiliate, the Landlord shall have the right to object to the use by such Handled Airline provided that such objection is reasonable. The Tenant acknowledges and agrees that the Tenant's indemnification of the Landlord as required under this Lease shall extend to the use, occupancy and operations of the Handled Airline in the Terminal.

16.4.2. Notwithstanding Section 16.4.1, if the Tenant obtains prior written consent from the Executive Director for the license or permit of Gates by a Handled Airline,

which consent shall not be unreasonably withheld, the Landlord agrees that it shall not require the Tenant to terminate such licensing or permitting agreement for the use of Gates during the term of such licensing or permitting agreement.

16.4.3. The Landlord is hereby giving consent to the licensing or permitting of the Gates to Air Tran Airways (the "Pre-Approved Airline"), provided that the Pre-Approved Airline commence the use of the Tenant's Gates within 12 months from the Execution Date. If any Pre-Approved Airline has not commenced the use of the Tenant's Gates within 12 months from the Execution Date, the Tenant shall be subject to Section 16.4.1 and Section 16.4.2 with respect to the licensing or permitting of a Gate to such airline.

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

17. Events of Default, Remedies, etc.

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

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

(b) if the Tenant shall fail to respond to the requests or requirements of the TSA pursuant to the Tenant's obligations under Section 1.4.3(b)(iii) and the failure shall continue for more than thirty (30) days, or

(c) if the Tenant shall fail to perform or comply with the provisions of Section 9.1, and the failure shall continue for more than the thirty (30) days, provided that in the case of any such failure that is susceptible of cure but that cannot with diligence be cured within thirty (30) days, if the Tenant shall promptly have commenced to cure the failure and shall thereafter prosecute the cure of the failure in good faith and with diligence, the period within which the failure may be cured may be extended by the Landlord, in the exercise of its reasonable discretion, for such period of time as shall be reasonably necessary for the cure of the failure with diligence; or

(d) if any insurance required to be maintained by the Tenant under the terms of Section 10 shall be cancelled or terminated or shall expire (and if replacement insurance complying with the terms of Section 10 shall not have been effected prior to the cancellation, termination or expiration), or shall be amended or modified, except, in each case, as permitted by the terms of Section 10; or

(e) if the Tenant shall enter into any assignment of this Lease or any sublease without the consent of the Landlord under the terms of Section 16;

(f) if the Tenant shall fail to comply with any provision of Section 18, and the failure shall continue for more than 30 days after the Tenant receives notice from the Landlord of the failure (which notice and 30-day period shall be in lieu of, and not in addition to, the notice requirements of Section 1161 of the California Code of Civil Procedure or any successor or similar provision of law, now or hereafter in effect); or

(g) if the Tenant shall fail to perform or comply with any term of this Lease (other than those referred to in clauses (a) through (e) of this sentence) and the failure shall continue for more than 30 days after the Tenant receives notice from the Landlord of the failure (which notice and 30-day period shall be in lieu of, and not in addition to, the notice requirements of Section 1161 of the California Code of Civil Procedure or any successor or similar provision of law, now or hereafter in effect); or

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

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

(j) if a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Guarantor, a custodian, receiver, trustee or other officer with similar powers with respect to the Guarantor or with

respect to any material part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Guarantor, or if any petition for any such relief shall be filed against the Guarantor and such petition shall not be dismissed within 60 days; or

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

(l) if (i) the Tenant, or (ii) any of its Affiliates that is a parent or wholly-owned subsidiary of the Tenant, shall be in default beyond the expiration of any applicable notice and cure periods under any other lease, license, permit or contract to which the Landlord shall be a party; or

(m) if the Tenant shall fail to pay when due any amount due under the Landing Fee and such failure continues for the longer of (i) ten (10) days from the date the Tenant receives notice of such failure, or (ii) the cure period for a failure to pay such Landing Fee under the terms and conditions of the applicable agreement; or

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

then and in any such event the Landlord may at any time thereafter, during the continuance of the Event of Default, give a written termination notice to the Tenant specifying a date (not fewer than 30 days from the date the notice is given) on which this Lease shall terminate, and on that date, subject to the provisions of Section 25.17, the Term shall terminate by limitation and all rights of the Tenant under this Lease shall cease. The Tenant will pay, as additional rent, all reasonable costs and expenses incurred by or on behalf of the Landlord (including, without limitation, reasonable attorneys' fees and expenses) occasioned by any default by the Tenant under this Lease.

17.2. Repossession, etc. If an Event of Default shall have occurred and be continuing, the Landlord, whether or not the Term of this Lease shall have been terminated under Section 17.1, may enter upon and repossess the Demised Premises or any part thereof by summary proceedings, legal process or otherwise in accordance with applicable law, and may remove the Tenant and all other persons and any and all property from the Tenant Areas. At the expense of the Tenant, the Landlord may store any property so removed from the Tenant Areas. The Landlord shall be under no liability for or by reason of the entry, repossession or removal. No re-entry or repossession of the Demised Premises or any, part thereof by the Landlord shall be construed as an election by the Landlord to terminate this Lease unless notice of the termination be given to the Tenant under Section 17.1.

17.3. Damages.

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

17.3.2. Final Damages. In the event of a termination of this Lease as a result of the Tenant's default, the Tenant will pay to the Landlord, whether or not the Landlord shall have collected any monthly installment described in Section 17.3.1, as and for final damages, an amount equal to the sum of the following:

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

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

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

(d) any other amount necessary to compensate the Landlord for all detriment caused by (and that would be reasonably likely in the future to result from) the Tenant's failure to perform the Tenant's obligations under this Lease; and

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

As used in clauses (a) and (b) of the immediately preceding sentence, the "value at the time of the award" is computed by allowing interest at the annual rate of ten percent; as used in clause (c) of the immediately preceding sentence, the "value at the time of the award" is computed by discounting that amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award, expressed as an annual rate of interest, plus one percent; as used in clauses (a), (b) and (c) of the immediately preceding sentence, the "value at the time of

the award" is computed to the extent necessary on the basis of reasonable estimates of all of the factors unknown at the time of computation and necessary for the computation. If, before presentation of proof of final damages to any court, commission or tribunal, the Demised Premises, or any part thereof, shall have been relet by the Landlord for the period that otherwise would have constituted the unexpired portion of the Term, or any part thereof, the amount of rent reserved upon the reletting shall be deemed, prima facie, to be the fair and reasonable rental value for the part or the whole of the Demised Premises so relet during the term of the reletting.

17.4. Security. Following the occurrence and during the continuance of an Event of Default, the Landlord may apply the amount held by it under the Performance Guaranty toward any obligation of the Tenant under this Lease. The Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code and all other provisions of any successor or similar provision of law, now or hereafter in effect, that provide that a landlord may claim from a security deposit only those sums reasonably necessary to remedy defaults in the payment of rent, to repair damage caused by the tenant or to clean the demised premises, the Tenant having agreed in this Lease that the Landlord may, in addition, claim those sums specified in this Section 17. Neither the Performance Guaranty nor any other security or guaranty for the performance of the Tenant's obligations that the Landlord may now or hereafter hold shall constitute a bar or defense to any action initiated by the Landlord for unlawful detainer or for the recovery of the Demised Premises, for the enforcement of any obligation of the Tenant, or for the recovery of damages suffered by the Landlord as a result of any Event of Default.

17.5. Reletting. In case of any termination of this Lease under Section 17.1 or any repossession of the Demised Premises under Section 17.2, the Landlord may relet the Demised Premises on such terms as the Landlord in its discretion may deem advisable. If the Landlord relets all or any part of the Demised Premises for all or any part of the period commencing on the day following the date of the termination or repossession and ending on the last day of the Term (had this Lease not been terminated), the Landlord will credit the Tenant with the net rents (including any other sums) received by the Landlord from the reletting, the net rents to be determined by first deducting from the gross rents as and when received by the Landlord from the reletting the expenses incurred or paid by the Landlord in terminating this Lease and re-entering the Demised Premises and securing possession thereof, as well as the reasonable expenses of reletting, including altering and preparing the Demised Premises for new tenants, brokers' commissions, and all other expenses properly chargeable against the Tenant Areas and the rental therefrom in connection with the reletting, it being understood that any reletting may be for a period equal to or shorter or longer than the balance of the Term, provided that (i) in no event shall the Tenant be entitled to receive any excess of the net rents over the sums payable by the Tenant to the Landlord hereunder, (ii) in no event shall the Tenant be entitled, in any suit for the collection of damages under this Section 17.5, to a credit in respect of any net rents from a reletting except to the extent that the net rents are actually received by the Landlord, and (iii) if the Demised Premises or any part thereof should be relet in combination with other space, then proper apportionment on the basis of rentable area shall be made of the rent received from the reletting and of the expenses of reletting. The inability of the Landlord to relet the Demised Premises or any part thereof shall not release or affect the Tenant's liability for damages for any breach of the provisions of this Lease.

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

17.7. Tenant's Waiver of Statutory Rights. The Tenant hereby expressly waives any and all rights, so far as is permitted by law, that the Tenant might otherwise have to (a) redeem the Demised Premises or any interest therein, (b) obtain possession of the Demised Premises, or (c) reinstate this Lease, after any repossession of the Demised Premises by the Landlord or after any termination of this Lease, whether the repossession or termination shall be by operation of law or under the provisions of Section 17.1 or 17.2.

17.8. Landlord's Right to Perform Tenant's Covenants. If the Tenant shall default in the observance or performance of any term or covenant on the Tenant's part to be observed or performed under the terms of this Lease, the Landlord may, without being under any obligation to do so, and without waiving the default, remedy the default for the account of the Tenant, immediately and without notice in case of emergency, and in any other case if the Tenant shall fail to remedy the default with all reasonable dispatch after the Landlord shall have notified the Tenant of the default and the applicable grace period for curing the default shall have expired. If the Landlord makes any expenditures or incurs any obligations for the payment of money in connection with the remedy of any such default, the actual sums paid and obligations incurred (together with a charge of 25 percent of the actual sums paid and obligations incurred for the Landlord's related administrative costs and overhead) shall be deemed to be additional rent hereunder and shall be reimbursed by the Tenant to the Landlord promptly after submission of a statement to the Tenant therefor, together with interest at the Stipulated Rate from the date of payment by the Landlord to the date of reimbursement. In the case of the Landlord's remedy of any default by the Tenant of the Tenant's obligations under Section 9.1, or any other default requiring the performance of work at the Tenant Areas, the Landlord shall also charge a surcharge of 25 percent of the Landlord's out-of-pocket costs.

18. Performance Guaranty.

18.1. Initial Performance Guaranty. It shall be a condition to the effectiveness of this Lease that, by the Closing Date, the Tenant shall have delivered a security deposit (the "Performance Guaranty") to the Landlord at the following address:

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

The initial amount of the Performance Guaranty shall be the amount reflected on the Basic Information Schedule as the "Performance Guaranty Amount", which is three times the sum of the amount of the initial estimated monthly installments of the Base Rent, and all other additional rent. The Performance Guaranty may only be in the form of a cashier's check or in the form of an irrevocable bank letter of credit (and if the Performance Guaranty is for an amount equal to or greater than \$5,000.00, the Performance Guaranty must be in the form of an irrevocable bank letter of credit), in either case issued by a bank approved by the Landlord, which approval shall not be unreasonably withheld. Any irrevocable bank letter of credit shall be self-renewing annually (but subject to termination as of any renewal date upon not less than 60 days' prior notice to the Landlord, in accordance with Section 20) and shall otherwise be in such form as may be approved by the City Attorney, which approval shall not be unreasonably withheld. The Performance Guaranty shall not be in lieu of any other guaranty required by the Landlord in connection with this Lease, nor shall any other guaranty in favor of the Landlord relating to any obligation of the Tenant, whether in connection with this Lease or otherwise, stand wholly or partly in lieu of the Performance Guaranty. To the extent there is a security deposit held by the Landlord prior to the Commencement Date pursuant to the Tariff, such security deposit shall be applied towards the Performance Guaranty required under this Section 18.1.

18.2. Increases to Performance Guaranty. Whenever under the terms of this Lease the monthly amounts payable by the Tenant on account of the Base Rent, and all other additional rent increase, such that the amount of the aggregate cumulative increase shall exceed ten percent of the amount of the existing Performance Guaranty, the Tenant will, within 30 days of the delivery by the Landlord of a notice requiring that the Performance Guaranty be increased, deliver a new Performance Guaranty to the Landlord at the address specified in Section 18.1 (or such other address as the Landlord may from time to time specify for the purpose of this Section 18.2) in the amount of three times the sum of the amount of the then current monthly installments of the Base Rent, and all other additional rent. Upon the application by the Landlord of any portion of the Performance Guaranty under the terms of Section 17.4, the Tenant will immediately deliver a new Performance Guaranty to the Landlord in the amount of the Performance Guaranty immediately before the application.

18.3. Purpose; Return. The Performance Guaranty shall be held by the Landlord as security for the faithful performance by the Tenant of all of the terms, provisions, and covenants to be performed by the Tenant under this Lease, including the payment of the Base Rent, and all other additional rent. Upon the expiration or earlier termination of the Term, and if the Tenant has satisfied all of its obligations to the Landlord under this Lease, the Landlord will return the Performance Guaranty to the Tenant. Without limiting the generality of the first sentence of this Section 18.3, the Performance Guaranty is intended as security for the final damages under this Lease described in Section 17.3.2, as well as for the monthly installments of damages described in Section 17.3.1. To the extent necessary to permit the Landlord to retain the Performance Guaranty until any final damages have been determined, the Tenant waives the application of Section 1950.7 of the California Civil Code.

18.4 Replacement Security Deposit Methodology. Notwithstanding this Section 18, if the Landlord adopts and implements an airline funded bad debt reserve or similar methodology to replace the current performance guaranty requirements for airlines under the Tariff or terminal leases at the Airport, the Landlord and the Tenant agree that upon mutual agreement, such

replacement security deposit methodology shall replace the Performance Guarantee requirement under this Section 18 without the prior approval or later ratification by the Board or the Los Angeles City Council.

19. Space Utilization.

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

19.2. Cancellation upon Cessation of Service. If the Tenant shall for any reason cease to operate regularly scheduled or actual flight services at the Airport other than for reasons due to acts, events or conditions beyond the Tenant's control such as acts of God, weather conditions, work stoppages and other labor actions, riots, rebellion, sabotage, acts of a public enemy, war, terrorism, and insurrection, the Landlord may, on at least 30 days' prior notice to the Tenant, cancel this Lease. In the event of such a cancellation of this Lease, (i) the Tenant shall surrender the Demised Premises on the date specified in the Landlord's notice, in the condition required by the provisions of this Lease, (ii) the Base Rent and all additional rent shall be prorated as of the date of the cancellation, and (iii) this Lease shall terminate (subject to the provisions of Section 25.17) as of the date specified in the Landlord's notice.

19.3. Tenant's Preferential-Use Gates.

19.3.1. As of the Commencement Date, the Landlord has initially designated twelve (12) Gates in the Terminal as preferential use (such Gates, the "Tenant's Preferential-Use Gates"). The Preferential-Use Gates as of the Commencement Date are identified in Exhibit A-4 attached hereto. The Tenant acknowledges that upon the completion of the gate realignment plan contemplated under the Terminal 1 Renovations, the Landlord may designate different Gates in the Terminal as Preferential-Use Gates and Exhibit A-4 shall be amended by the Executive Director, subject to City Attorney approval as to form, upon such modification.

19.3.2. Terminal 1 Renovations Construction Period.

(a) Notwithstanding Section 19.3.1 above, during the construction of the Terminal 1 Renovations, the Tenant shall at all times have access to twelve (12) Gates in the Terminal regardless of the initial designation of the Gates pursuant to Section 19.3.1 as preferential-use or common use; provided, however, that this exception shall not extend beyond forty-two (42) month from the Settlement Execution Date, unless otherwise extended by the Executive Director in his or her sole discretion, and provided further, that such extension by the Executive Director shall not exceed eighteen (18) months.

(b) To facilitate the timely completion of the Terminal 1 Renovations to mitigate passenger inconvenience and disruption to the traveling public, the Landlord agrees that other airlines will not be

relocated into the Terminal before the earlier of (i) completion of the renovation of the West Ticket Lobby and the West Arrivals Level, (ii) eighteen (18) months from the date that U.S. Airways is relocated from the Terminal, or (iii) twenty-four (24) months from the Commencement Date.

19.3.3. The Executive Director, in his or her sole discretion, may from time to time issue protocols for the assignment of flights on Gates designated as either preferential-use or common-use in the Terminal (the "T1 Scheduling Protocols"). The T1 Scheduling Protocols may be a subset of Airport-wide scheduling protocols (the "Airport-Wide Scheduling Protocols", and together with the T1 Scheduling Protocols, the "Scheduling Protocols").

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

19.3.5. Notwithstanding anything in this Lease to the contrary, in order to minimize operational inconvenience to other airlines' air passengers and aircraft operations, the Tenant shall make good faith efforts to assist the Landlord in accommodating other airlines' aircraft operations on the Tenant's Preferential-Use Gates during periods of emergencies and irregular operations caused by, among other things as reasonably determined by the Executive Director, extreme weather at the Airport or other airports, air traffic control or airline operational technology failures, aviation incidents or accidents, labor strikes or slowdowns, acts of God, enemy action, terrorist acts, or civil commotion. The Tenant's obligations to make good faith efforts to assist the Landlord in such circumstances shall not be constrained by the notice period contained in Section 19.4 or any other notice period, although the Executive Director shall make good faith efforts to provide the Tenant with as much notice as is reasonably possible once a period of emergency or irregular operations has been determined to exist. However, the Tenant's obligations under this subsection shall not extend to a requirement that the Tenant's scheduled aircraft operations will be unduly delayed or inconvenienced, as determined by the Executive Director, and the Tenant's irregular operations shall have priority over the irregular operations of other Airlines on the Tenant's Preferential-Use Gates. In addition, the Tenant's obligation to make good faith efforts as described herein shall not be extended to accommodate aircraft of Airlines having a lease with the Landlord at the Airport that provides such Airline with Gates that are either (a) exclusive-use, or (b) preferential-use but does not provide, in a lease or by another agreement, an obligation for such Airline to accommodate the Tenant's flights on such Gates during periods of emergency or irregular operations.

19.4. Landlord's Preferential-Gate Scheduling Rights. For the purpose of the Landlord's scheduling of aircraft of other Airlines on the Tenant's Preferential-Use Gates, the Scheduling Protocols are applicable to preferential-use Gates in the Terminal only during Non-Active Periods. The Landlord's determination of the Non-Active Periods shall be based on the Airlines' published schedules. For purposes of determining the Non-Active Periods, the Tenant

shall provide the Landlord with 30 days' advance written notice of such schedule change. In addition to any other requirement included in the Scheduling Protocols, the Landlord shall have the right at any time to schedule aircraft operations of other Airlines on the Tenant's Preferential-Use Gates if such scheduling will not interfere with the Tenant's, its Landlord-approved subtenant(s)', handled airlines', accommodated Requesting Airlines', alliance partner airlines' or codeshare airlines', periods of Active Loading and Active Unloading. The Executive Director shall use reasonable efforts to provide the Tenant one week advance notice prior to scheduling aircraft on the Tenant's Preferential-Use Gates.

19.5. Landlord's Accommodation Rights.

19.5.1. The Tenant acknowledges that the Landlord has an obligation under Federal law to provide Airport access to all qualified airlines on reasonable terms and without unjust discrimination. As such, the Tenant agrees that its first priority scheduling and preference on the Tenant's Preferential-Use Gates includes an associated obligation to make best efforts, to assist the Landlord in accommodating, at the Tenant's Preferential-Use Boarding Facilities, Airlines seeking to initiate air service at the Airport, including new entrant carriers and limited incumbent carriers as defined by 14 CFR 93.213, as may be amended from time to time, as well as other incumbent Airlines seeking to expand their present air service at the Airport which air service may include, but not be limited to, air service that enhances competition on routes served by the Tenant and/or other Airlines operating at the Airport, whether such air service is provided by current or future Airlines operating at the Airport; *provided, however*, that such obligation shall not include or require the Tenant to adjust its published schedule or aircraft type. The Tenant also agrees to allow an accommodated Airline to place and operate in the Preferential-Use Boarding Facilities the accommodated Airline's mobile passenger processing equipment during the times the accommodated Airline uses the Tenant's Preferential-Use Gate if such use does not impede on the Tenant's concurrent operations on such Gate or adjacent Gates. However, if the Tenant has installed common-use equipment that reasonably meets an accommodated Airline's operational requirements at the Tenant's Preferential-Use Boarding Facilities, the Executive Director may require the accommodated Airline to use the Tenant's common-use equipment instead of the accommodated Airline's mobile passenger processing equipment, if the Tenant requests such use. Further, the Tenant shall have no responsibility to store the accommodated Airline's mobile passenger processing equipment when not in use and the accommodated Airline will remove equipment from the Demised Premises, unless the Tenant otherwise agrees.

19.5.2. From time to time, the Executive Director may foresee that it will be unable to reasonably, efficiently, and adequately accommodate the existing or the proposed change or increase in operations of an Airline either at its common-use Gates and associated Airport facilities or at the Preferential-Use Boarding Facilities of various Airlines. When this occurs, the Executive Director shall first require the Airline seeking to be accommodated (the "Requesting Airline") to coordinate directly with all Airlines at the Airport to attempt to establish an adequate accommodation arrangement. If this attempt proves unsuccessful as determined by the Executive Director, the Executive

Director shall provide a written notification to all Airlines at the Airport of the Landlord's need to accommodate the proposed operations of the Requesting Airline (the "Accommodation Notice"). The purpose of this Accommodation Notice shall be to encourage the Airlines at the Airport to develop a reasonable solution, acceptable to the Executive Director, in his or her sole discretion, that adequately addresses the Landlord's need to accommodate the proposed operations of the Requesting Airline.

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

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

19.6. Use of Preferential-Use Boarding Facilities by Other Airlines.

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

- (a) The Tenant shall be entitled to charge other Airlines using its Preferential-Use Boarding Facilities on a monthly basis, for their estimated Pro Rata share of the Tenant's total direct costs (including the Base Rent, any additional rent and maintenance costs), which are substantially related to such Preferential-Use Boarding Facilities, using standard and accepted accounting principles, together with a not-to-exceed fifteen percent (15%) administrative charge. Charges to other airlines that are equal to or less than 125% of the Tenant's average cost should not be deemed unreasonable. The Executive Director shall have the right to periodically audit the Tenant's books and records, upon reasonable notice, with respect to the computation of the Tenant's charges to

the other Airline for the use of its Preferential-Use Boarding Facilities. The Tenant shall have the right to collect a security deposit in advance from the other airline using its Preferential-Use Boarding Facilities. Such security deposit shall not exceed the reasonably estimated charges for three (3) months. The Executive Director shall have the right to approve the form and content of the Tenant's agreements relating to the use by another Airline of its Preferential-Use Boarding Facilities, which approval shall not be unreasonably withheld or denied.

(b) The Tenant may require Airlines being accommodated on the Tenant's Preferential-Use Boarding Facilities to provide insurance coverage and agree in writing to indemnify the Tenant in the manner and to the extent required of the Tenant by the Landlord hereunder.

(c) Any sublet, license or sublease of the Tenant's Demised Premises shall also be subject to the requirements of Section 16.

(d) Ground Service and Passenger Service Companies. Airlines being accommodated on the Tenant's Preferential-Use Boarding Facilities shall have the right to use any ground service companies on the ramp and passenger service companies in the Terminal (provided that such companies are authorized to operate at the Airport) and shall not be required to use the Tenant's employees or the Tenant's ground service or passenger service companies. The Landlord shall require any ground service company on the ramp that an accommodated airline is using to have their equipment on the ramp only during Active Periods and to remove any equipment from the ramp during Non-Active Periods.

19.6.2. Accommodation of Requesting Airline. The following shall only apply when the Executive Director requires the Tenant to accommodate a Requesting Airline pursuant to Section 19.5:

(a) During such period of time that a Requesting Airline is using the Tenant's Preferential-Use Boarding Facilities as required by the Executive Director pursuant to Section 19.5, the Tenant's indemnification of the Landlord as required under this Lease shall not extend to the use, occupancy and operations of the Requesting Airline at the Tenant's Preferential-Use Boarding Facilities, unless damage or injury is caused by or contributed by the Tenant, its officers, directors, employees, agents or invitees who have come upon the Tenant's Preferential-Use Boarding Facilities in connection with the Tenant's occupancy thereof.

(b) The Executive Director may require the Tenant to tow aircraft from the Passenger Terminal Apron Area adjacent to the Tenant's Preferential-Use Gate, if the Landlord requires the Tenant to accommodate a Requesting Airline on its Preferential Use Boarding Facilities pursuant to Section 19.5. The Executive Director shall designate an area to which the aircraft is to be towed, and will make reasonable efforts to assign a reasonably convenient parking location. This obligation of the Tenant to tow any parked aircraft not engaged in an Active

Loading or Active Unloading operations shall include, but not be limited to, any parked aircraft remaining overnight. This towing requirement shall not be invoked by the Executive Director if the period of time between the completion of the Active Unloading and the commencement of the Active Loading periods for a turn-around aircraft operation is less than 90 minutes. The Tenant shall receive a credit in the amount to be mutually determined based on actual costs, per single direction tow as evidenced by third-party towing rates (which fee shall be subject to adjustment from time to time after consultation with the Tenant) from the Landlord whenever the Tenant tows aircraft at the Executive Director's direction from the Passenger Terminal Apron Area adjacent to the Tenant's Preferential-Use Gate to accommodate use by a Requesting Airline. In the event the Tenant fails to remove any aircraft which the Executive Director has directed the Tenant to tow under the provisions hereof, in an expeditious manner as determined by the Executive Director in its sole discretion, then, in addition to all other rights and remedies included herein, the Executive Director may, but shall not be obligated to, cause the removal of such aircraft without any liability to the Tenant, whereupon the Tenant shall pay to the Landlord (1) all costs thereof incurred by the Landlord plus a fifteen percent (15%) administrative fee, or (2) double the towing reimbursement fee set forth above, whichever is greater. In such case, the Tenant also agrees that, if the Landlord, or a competent, insured agent, moves the Tenant's aircraft (1) any claim for compensation against the Landlord and any of its officers or employees, for any loss or damage sustained to any such aircraft, or any part thereof, by reason of such removal is waived, and (2) the Tenant shall indemnify the Landlord and its officers and employees against all liability arising out of such removal of said aircraft. Nothing in this section shall impair the rights of the Tenant vis-à-vis the agent who moves the Tenant's aircraft.

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

19.7.1. If, after undertaking the accommodation procedures in Section 19.5 above, the Landlord determines, in its sole discretion, after taking into account the efficient and competitive operation of the Airport and the opportunities for making gates available elsewhere at the Airport through conversion or otherwise, that the options available for accommodating the flights of a Requesting Airline on the Tenant's Preferential-Use Boarding Facilities do not satisfy the reasonable operational requirements of the Requesting Airline, the Landlord may terminate the Tenant's first priority scheduling and preference on the Tenant's Preferential-Use Gates and convert, subject to a 90-day written notice, certain of the Tenant's Preferential-Use Gates, and other Airlines' preferential-use Gates as applicable, to common-use Gates and make the related premises adjustments discussed in Section 19.8 below, subject to the following:

(a) The Tenant's scheduled activities on the Tenant's Preferential-Use Gates, combined with those of the Tenant's Landlord-approved subtenants, handled airlines, accommodated Requesting Airlines, alliance partner airlines or codeshare airlines, have, in the prior six (6) months using actual flight activity, not exceeded the Minimum Utilization Requirement, and are projected by the

Landlord to not exceed the Minimum Utilization Requirement based on publically available published schedules for the then forthcoming six (6) months.

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

(c) The Executive Director may issue the standards that comprise the Minimum Utilization Requirement and the Minimum Performance Levels required for each standard from time to time in his or her sole discretion subject to the requirement that (a) the Landlord shall have reasonably consulted on the proposed standards with the Tenant and other Airlines subject to similar preferential-use Gate conversion and related premises deletion provisions and shall have given due consideration to any comments provided by the Tenant and other Airlines; (b) the Landlord shall, at a minimum, have two distinct standards in the Minimum Utilization Requirement that include, separately, (i) an average seats per gate per day standard and (ii) an average aircraft turns per gate per day standard; and (c) the Landlord's measurement of the Tenant's performance relative to these standards shall be based on an evaluation of actual or published schedules over a reasonable duration of time. However, the Tenant recognizes that when establishing the method for calculating the average aircraft turns per gate per day standard that is part of the Minimum Utilization Requirement, the Landlord may discount the value of the contribution of aircraft turns for aircraft less than 110 seats so long as the Landlord does not discount aircraft with greater than 65 (but less than 110 seats) seats by more than fifty percent (50%) and aircraft with 65 seats or less by more than seventy-five percent (75%).

(d) The Landlord shall not initiate the process for converting the Tenant's Preferential-Use Gates to common-use Gates pursuant to this Section 19.7 if the purpose of such conversion is solely to accommodate the flights of another Airline, or flights of any aircraft operator where all seats on such flights are for the passengers of such Airline, having a lease with the Landlord at the Airport that provides such Airline with Gates that are either (a) exclusive-use, or (b) preferential-use and in both cases not subject to conversion to common use based on the Minimum Utilization Requirement.

19.8. Deletion of Demised Premises Upon Conversion of Preferential-Use Gates to Common-Use Gates. The efficient use of the terminals in the public interest requires that certain critical facilities in the Demised Premises (consisting of facilities such as ticket counters, back office space, holdrooms and operations space) be available for use to airlines that from time to time can make the most productive use of such critical facilities. The Landlord shall therefore have the right to proportionately reduce the Tenant's Demised Premises relative to the number of the Tenant's Preferential-Use Gates that have been converted to common-use Gates pursuant to Section 19.7. The Tenant shall also have the right to have the Landlord proportionately reduce the Tenant's Demised Premises relative to the number of the Tenant's Preferential-Use Gates that have been converted to common-use Gates pursuant to Section 19.7. Unless otherwise agreed to by the Landlord and the Tenant, the Landlord's deletion of the Demised Premises (such deleted space, the "Converted Demised Premises") shall be based on the following:

19.8.1. If the Landlord converts one (1) of the Tenant's Preferential-Use Gate to a common-use Gate pursuant to Section 19.7 above, the Landlord shall have the right under this Section 19.8 to delete from the Demised Premises, for each such conversion, up to (i) two (2) ticket agent positions comprising four (4) customer service positions; (ii) 500 square feet of back office space, (iii) the adjacent holdroom, and (iv) 500 square feet of operations space which includes space required for maintaining and servicing the aircraft and flight operations. In determining the number of ticket agent positions and other space to be deleted from the Demised Premises in connection with the conversion of the Tenant's Preferential-Use Gate to a common-use Gate, the Landlord shall give reasonable consideration to the availability of vacant ticket agent positions, back office space, and operations space elsewhere in the Terminal.

The Executive Director shall deliver to the Tenant a notice electing to remove the Converted Demised Premises from the Demised Premises on a date specified in the notice and not less than 60 days following the date on which the notice is delivered. If the Landlord elects to delete the Converted Demised Premises in accordance with the provisions of this Section 19.8, (i) the Tenant shall surrender the Converted Demised Premises on the date specified in the Landlord's notice of election, in the condition required by the provisions of this Lease, (ii) the Converted Demised Premises shall be eliminated from the Demised Premises, and Exhibit A shall be amended accordingly by the Executive Director without the prior approval or later ratification by the Board or the Los Angeles City Council, (iii) the Base Rent shall be appropriately adjusted after subtracting the square footage of the Converted Demised Premises from the then square footage of the Demised Premises, (iv) any other additional rent payable for any period from and after the date of the deletion of Converted Demised Premises shall be appropriately adjusted, and (v) any necessary proration of the Base Rent, and all other additional rent shall be made as if, for the Demised Premises, the date of the deletion of Converted Demised Premises were the last day of the Term, and (vi) the Tenant shall be released from all liability or obligations hereunder relating to the Converted Demised Premises except such liabilities or obligations that occurred during the Tenant's occupancy and which expressly survive termination of this Lease.

19.9. Gate Scheduling Protocols.

19.9.1. The Tenant agrees that its access to common-use and preferential-use Gates in the Terminal, including the Tenant's Preferential-Use Gates, after the

Commencement Date shall be subject to the Scheduling Protocols, issued or amended from time to time by the Executive Director in his or her sole discretion. The Landlord agrees:

(a) to consult with the Tenant before adopting or amending any T1 Scheduling Protocols or Airport-Wide Scheduling Protocols;

(b) to provide the Tenant with 30 days to comment on proposed language of any T1 Scheduling Protocols or Airport-Wide Scheduling Protocols, as well as on proposed language in any amendment thereto;

(c) not to employ the T1 Scheduling Protocols or the Airport-Wide Scheduling Protocols as an independent means to convert any of the Tenant's Preferential-Use Gates to common-use Gates as Section 19.7 hereof shall govern with respect to any such conversion; and

(d) subject to the provisions of Section 19, to incorporate into the Scheduling Protocols a first scheduling priority on the Tenant's Preferential-Use Gates for the Tenant's advanced published schedules, provided, however, that if the Tenant's operations result in the Tenant's advanced published schedules being deemed unreliable as determined by the Executive Director in his or her sole discretion, this Section 19.9.1(d) shall not be applicable to such advanced published schedules.

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

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

(b) Large Aircraft; and/or

(c) Airlines having no preferential-use Gates assigned for their use; and/or

(d) Airlines demonstrating a higher overall utilization of preferential-use Gates assigned to such Airline and common-use Gates in use by such Airline, as measured in the sole discretion of the Executive Director, by scheduled aircraft seat capacity for a stated period, such period to be determined by the Executive Director in his or her sole discretion. In the computation of utilization, any such Scheduling Protocols also may, but is not required to, include the number of each applicable Airline's aircraft seats where the passengers for such aircraft are loaded or unloaded using a remote terminal facility or area at the Airport, but

transit through a terminal in the Central Terminal Area at the Airport to reach such a remote terminal facility or area.

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

19.9.4. Notwithstanding the foregoing, the "Interim T1 Scheduling Protocols" (attached hereto as Exhibit E) shall be effective from the Commencement Date until the earlier of (i) three (3) years after the Commencement Date ("Effective Period"), unless the Effective Period is extended by the Executive Director in his or her sole discretion, or (ii) approval by the Board of a five (5) year agreement with the Tenant whereby the Tenant agrees to the Landlord's proposed Scheduling Protocols, and which agreement shall have an earlier termination if the level of passenger traffic at the Airport exceeds an amount defined in the T1 Scheduling Protocols or the Airport-Wide Scheduling Protocols attached to such agreement.

As soon as practicable following the Commencement Date, in order to replace the Interim T1 Scheduling Protocols, the Landlord and the Tenant shall work together to establish the Scheduling Protocols, which may be amended from time to time by the Executive Director in his or her sole discretion, subject to the requirements of Section 19.9. Subject to restrictions in this Lease, amendments to the Scheduling Protocols may include, but may not be limited to, changes to definitions, scheduling priorities, types of services, definition of aircraft sizes and weighting of aircraft of differing sizes, and performance metrics.

19.10. Establishment of Preferential-Use Requirements. During the Term, the Executive Director may, from time to time, as part of the Scheduling Protocols, establish one or more standards and minimum performance levels for such standards (the "Preferential-Use Requirement") to allow the Tenant and other airlines at the Airport to request that a common-use Gate be converted for use as a preferential-use Gate. Once the Preferential-Use Requirement is established by the Executive Director, in his or her sole discretion, the Tenant may request that the Executive Director convert one or more common-use Gates to preferential-use Gates, including, but not limited to, Gates that have previously been converted to common-use Gates pursuant to Section 19.7. Following such a request from the Tenant, the Executive Director shall give reasonable consideration to the Tenant's request in the context of current and forecasted traffic, demand for facilities from various airlines at the Airport, the demand-supply relationship of aircraft operations and available common-use Gates, and other factors affecting the efficient and competitive operation of the Airport. In such context, the Executive Director shall also give reasonable consideration to any related request for support space associated with the operation of

such Gates. Notwithstanding the right of the Tenant to request the conversion of one or more common-use Gates to preferential-use Gates, except as may be defined in the T1 Scheduling Protocols or the Airport-Wide Scheduling Protocols or as otherwise agreed to by the Landlord and the Tenant, the Landlord shall be under no obligation to approve such a request for such conversion under this Lease. Further, if the Executive Director approves the Tenant's request for such a conversion pursuant to this section, in order to minimize operational inconveniences for airlines that then use or have had use of such Gate, subject to the conversion request, the Executive Director may place transitional conditions and limitations on the Tenant's scheduling rights as part of any approval of additional preferential-use Gates.

20. End of Term.

20.1. Surrender. Upon the expiration of the Term or earlier termination of this Lease, the Tenant will quit and surrender to the Landlord the Tenant Areas, broom clean, in good order and in the condition required by the provisions of this Lease, ordinary wear and tear, casualty damage governed by Section 14 and damage which Landlord is obligated to repair under this Lease in each case excepted.

20.2. Holdover. If the Tenant remains in possession of the Tenant Areas after the termination of this Lease (whether at the end of the Term or otherwise) without the execution of a new lease or an extension or amendment to this Lease, without derogation of any other rights of the Landlord hereunder, including the Landlord's right, after a thirty (30) day written notice, to require payments for such use under the Tariff, then such occupancy shall be considered a month to month tenancy subject to the terms of this Lease. Acceptance by the Landlord of holdover rent after the termination of this Lease shall not be deemed to create or evidence a renewal of this Lease. The foregoing provisions of this Section 20.2 are not intended to limit or otherwise modify the Landlord's right of re-entry or any other right of the Landlord under this Lease or as otherwise provided by law, and shall not affect any right that the Landlord may otherwise have to recover damages from the Tenant for loss or liability incurred by the Landlord resulting from the Tenant's failure to timely surrender the Tenant Areas. Nothing contained in this Section 20 shall be construed as a consent by the Landlord to any holding over by the Tenant, and the Landlord expressly reserves the right to require the Tenant to surrender possession of the Tenant Areas to the Landlord upon the expiration or earlier termination of the Term as provided in this Lease. Notwithstanding anything to the contrary contained in this Lease, imposition of the Tariff following termination of this Lease (whether at the end of the Term or otherwise) after thirty (30) days' advance written notice, shall be at the sole discretion of the Landlord.

21. Other Covenants.

21.1. Quiet Enjoyment. The Landlord covenants with the Tenant that, upon the Tenant paying the Base Rent and all additional rent and observing and performing all the other terms, covenants and conditions on the Tenant's part to be observed and performed under this Lease, the Tenant may peaceably and quietly enjoy the Demised Premises (subject, however, to the terms and conditions of this Lease) free of interference by anyone claiming by, through or under the Landlord.

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

21.3. Airport and Terminal Management.

21.3.1. Authority of Landlord in Common Use Areas And Public Area. The Tenant acknowledges that the Airport is a public facility essential to regional and national transport and economy and that the Landlord is a political subdivision with a public responsibility for the proper functioning of the Airport and the Terminal. In order to carry out its responsibilities (including its obligations to comply with the requirements of the Federal Aviation Administration, the U.S. Transportation Security Administration, and other Legal Requirements), the Landlord must therefore have broad power to regulate activities in the Airport and in the areas of the Terminal not part of the Demised Premises. Without limiting any other specific provisions of this Lease, the Landlord shall have the right to adopt from time to time rules and regulations, and may make other specific orders, for the conduct of operations in the Common Use Areas and Public Area. The Tenant shall at all times comply with any rules and regulations from time to time so adopted and any specific orders so made by the Landlord (and of which the Tenant shall have received a copy in writing), provided only that the rules and regulations are adopted, and the orders made, by the Landlord in the good faith discharge of its public responsibilities and do not unreasonably discriminate against the business operations of the Tenant in the Tenant Areas.

21.3.2. Major Changes. The Landlord may make any change to the Terminal or the Airport that the Landlord determines may be necessary or desirable. The Tenant acknowledges that the Landlord may undertake various improvements to the Airport and the Terminal during the Term, and that the construction of the improvements may interfere with the Tenant's operations at the Terminal. The Landlord and the Tenant will cooperate in good faith to address the construction requirements and to attempt to mitigate the effects on the Tenant's operations. The Landlord shall make reasonable efforts to provide access to the Demised Premises in the event that access to the Demised Premises is impacted as a result of the construction of the improvements made by the Landlord to the Terminal or the Airport.

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

21.5. Communications Equipment and Antennae. The Tenant has no right to install or use any telecommunications equipment or antennae on the roof or exterior of the Terminal, unless (a) the installation and use are directly related to the conduct of the Tenant's business at the Demised Premises and are in full compliance with the Landlord's permit process and telecommunications policies, as established in the discretion of the Landlord and from time to time in effect, and (b) the installation is effected in compliance with the requirements of Section 4. The Tenant will not license, sublease or in any other manner permit any other Person to use any telecommunications equipment or antennae installed by the Tenant at the Terminal; provided, however, that the Tenant may license, sublease or in any other manner permit the Tenant's subtenants and Affiliates to use any telecommunications equipment or antennae installed by the Tenant at the Terminal so long as (i) such use is for aeronautical purposes and (ii) neither the Tenant, the Tenant's subtenants or Affiliates receive compensation from such use. The Landlord shall have the right, without compensation to the Tenant, to install or use telecommunications equipment or antennae on the roof or exterior of the Demised Premises and to install and attach cables, wires and conduits on, over or under the Demised Premises in connection with telecommunications equipment or antennae, or to license or otherwise permit others to do so.

21.6. Signs and Advertising Materials. Except as set forth in this Section 21.6, the Tenant will not place any signs or advertising materials, other than identification signs for the Tenant's operations, in any location at the Terminal without the prior consent of the Landlord, which consent may be withheld in the discretion of the Landlord. The Tenant will not place any identification signs for the Tenant's operations in any location at the Terminal without the prior consent of the Landlord, which consent shall not be unreasonably withheld. Any request for the approval of identification signs for the Tenant's operations shall be accompanied by illustrative drawings and design dimensions together with information about the type of identification signs proposed by the Tenant and the locations in which the signs are proposed to be installed. The Tenant will comply with any conditions to the installation or use of signs to which the Landlord may make its consent subject. The Tenant will keep all ticket counter space used by the Tenant and any associated ticket lifts and podiums free of all signs, advertising materials, credit card application dispensing units, posters and banners. The Landlord may without notice remove any unauthorized signs or advertising materials, and may store them at the Tenant's expense, and may dispose of them if they are not promptly claimed by the Tenant after notice from the Landlord.

21.7. Environmental Matters. The Tenant's activities at or about the Tenant Areas and the Application of all Hazardous Materials by the Tenant, its employees, agents, contractors, or subcontractors, shall comply at all times with all Environmental Requirements. Except for conditions existing before the original occupancy of the Tenant Areas by the Tenant, in the case of any spill, leak, discharge, release or improper storage of any Hazardous Materials on the Demised Premises or contamination of the Demised Premises with Hazardous Materials by the Tenant, its employees, agents, contractors, or subcontractors, (or by the Tenant or its employees, agents, contractors, or subcontractors onto any other property at the Airport), the Tenant will make or cause to be made any necessary repairs or corrective actions as well as to clean up and remove any spill, leakage, discharge, release or contamination, all in accordance with applicable Environmental Requirements. At the expiration or earlier termination of the Term, the Tenant will promptly remove from the Tenant Areas all Hazardous Materials Applied by the Tenant at

the Tenant Areas. If the Tenant installs or uses underground storage tanks, above-ground storage tanks, pipelines, or other improvements on the Tenant Areas for the storage, distribution, use, treatment, or disposal of any Hazardous Materials, the Tenant will, upon the expiration or earlier termination of the Term, remove or clean up such improvements, at the election of the Landlord, at the sole expense of the Tenant and in compliance with all Environmental Requirements and the reasonable directions of the Landlord, provided, however, that this sentence shall not apply to the portion of the pipelines that extend from the fuel vault to the fuel farm. The Tenant shall be responsible and liable for the compliance with all of the provisions of this Section 21.7 by the Tenant's officers, employees, contractors, assignees, sublessees, agents and invitees. The Tenant will, at its expense, promptly take all actions required by any governmental agency in connection with the Tenant's Application of Hazardous Materials at or about the Tenant Areas, including inspection and testing, performing all cleanup, removal and remediation work required for those Hazardous Materials, complying with all closure requirements and post-closure monitoring, and filing all required reports or plans. All of the foregoing work and all Application of Hazardous Materials shall be performed in a good, safe and workmanlike manner by personnel qualified and licensed to undertake the work and in a manner that will not materially interfere with the Landlord's use, operation and leasing of the Terminal or the Airport and other tenants' quiet enjoyment of their premises. At the Landlord's request, the Tenant will deliver to the Landlord copies of all permits, manifests, notices, and all other documents relating to the Tenant's Application of Hazardous Materials at or about the Tenant Areas. Notwithstanding the foregoing, the Tenant will, without the Landlord's request, deliver to the Landlord before delivery to any agency, or promptly after receipt from any agency, copies of all closure or remedial plans, notices, and all other documents relating to any spill, leak, discharge, release, improper storage, contamination or cleanup resulting from the Tenant's Application of Hazardous Materials at or about the Tenant Areas. The Tenant will keep the Landlord fully informed of its Application of Hazardous Materials, and, if the Tenant Applies Hazardous Materials, the Landlord may engage one or more consultants to review all permits, manifests, remediation plans and other documents related to the Application of the Hazardous Materials. The Landlord's reasonable out-of-pocket costs of engaging the consultants will be paid by the Tenant.

21.8. Security. The Tenant will fully comply with all Legal Requirements relating to airfield and airport security. The Tenant will maintain and keep in good repair that portion of the Airport perimeter fence, including gates and doors, that are in the Demised Premises or controlled by the Tenant. The Tenant will comply fully with applicable provisions of the Transportation Security Administration Regulations, 49 CFR Sections 1500 through 1550, as may be amended from time to time, or any successor statute, including the establishment and implementation of procedures acceptable to the Landlord to control access from the Demised Premises to air operation areas in accordance with the Airport Security Program required by 49 CFR Part 1542, as may be amended from time to time, or any successor statute. The Tenant will exercise exclusive security responsibility for the Demised Premises and, if the Tenant is an air carrier, will do so under the Tenant's Federal Aviation Administration approved Air Carrier Standard Security Program used in accordance with 49 CFR, Part 1544, as may be amended from time to time, or any successor statute. Without limiting the generality of the foregoing, the Tenant will keep gates and doors in the Demised Premises that permit entry to restricted areas at the Airport locked at all times when not in use or under the Tenant's constant security surveillance. The Tenant will report gate or door malfunctions that permit unauthorized entry

into restricted areas to the Landlord's operations center without delay, and the Tenant will maintain the affected gate or door under constant security surveillance until repairs are effected by the Tenant or the Landlord and the gate or door is properly secured. The Tenant will pay all civil penalties levied by the Transportation Security Administration for violation of Transportation Security Administration Regulations pertaining to security gates or doors in the Demised Premises or otherwise controlled by the Tenant.

21.9. Noise Abatement Procedures. The Tenant will comply with the Department's Noise Abatement Rules and Regulations. Under the requirements of the 1993 LAX Noise Variance and in order to limit the use of auxiliary power units, the Tenant will provide a sufficient number of ground power units at each gate and maintenance area used by the Tenant's aircraft at the Terminal. This section applies to the extent it (i) is applicable to the Tenant's operations at the Demised Premises, and (ii) does not conflict with any Legal Requirement.

22. Federal and Municipal Requirements.

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

22.2. Child Support Orders. This Lease is subject to Section 10.10, Article I, Chapter 1, Division 10 of the Los Angeles Administrative Code related to Child Support Assignment Orders, a copy of which is attached for convenience as Exhibit F. Under this Section, the Tenant (and any subcontractor of the Tenant providing services to the Landlord under this Lease) will (1) fully comply with all State and Federal employment reporting requirements for the Tenant's or the Tenant's subcontractor's employees applicable to Child Support Assignments Orders; (2) certify that the principal owners of the Tenant and applicable subcontractors are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (3) fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230, *et seq.*; and (4) maintain compliance throughout the Term. Under Section 10.10(b) of the Los Angeles Administrative Code, failure of the Tenant or an applicable subcontractor to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment Orders and Notices of Assignment or the failure of any principal owners of the Tenant or applicable subcontractors to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default of this Lease subjecting this Lease to termination where the failure shall continue for more than 90 days after notice of the failure to the Tenant by the Landlord (in lieu of any time for cure provided elsewhere in this Lease).

22.3. Contractor Responsibility Program. The Tenant will comply with the provisions of the Contractor Responsibility Program adopted by the Board. The rules, regulations,

requirements and penalties of the Contractor Responsibility Program and the Pledge of Compliance Form are attached to this Lease as Exhibit G.

22.4. Equal Benefits Ordinance.

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

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

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

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

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

22.6. Living Wage Ordinance.

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

22.6.2. Living Wage Coverage Determination. An initial determination has been made that this Lease is a public lease under the LWO, and that it is not exempt from coverage by the LWO. Determinations as to whether this Lease is a public lease or license covered by the LWO, or whether an employer or employee are exempt from coverage under the LWO are not final, but are subject to review and revision as additional facts are examined and other interpretations of the law are considered. In some circumstances, applications for exemption must be reviewed periodically. The City of Los Angeles will notify the Tenant in writing about any redetermination by the City of Los Angeles of coverage or exemption status. To the extent the Tenant claims non-coverage or exemption from the provisions of the LWO, the burden shall be on the Tenant to prove the non-coverage or exemption.

22.6.3. Compliance. If the Tenant is not initially exempt from the LWO, the Tenant will comply with all of the provisions of the LWO, including payment to

employees at the minimum wage rates, effective on the Commencement Date. If the Tenant is initially exempt from the LWO, but later no longer qualifies for any exemption, the Tenant will, at such time as the Tenant is no longer exempt, comply with the provisions of the LWO and execute the then currently used Declaration of Compliance Form, or such form as the LWO requires. Under the provisions of Section 10.37.6(c) of the Los Angeles Administrative Code, violation of the LWO shall constitute a material breach of this Lease and the Landlord shall be entitled to terminate this Lease and otherwise pursue legal remedies that may be available, including those set forth in the LWO, if the City of Los Angeles determines that the Tenant violated the provisions of the LWO. The procedures and time periods provided in the LWO are in lieu of the procedures and time periods provided elsewhere in this Lease. Nothing in this Lease shall be construed to extend the time periods or limit the remedies provided in the LWO.

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

22.8. Nondiscrimination and Equal Employment Practices.

22.8.1. Federal Non-Discrimination Provisions.

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

(b) The Tenant for itself, its successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that: (1) no person on the grounds of race, color or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the

construction of any improvements on, over, or under the land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination, (3) that the Tenant will use the Demised Premises and the other Tenant Areas in compliance with all other requirements imposed by or pursuant to 49 CFR, Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

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

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

(e) The Tenant will insert the provisions found in clauses (c) and (d) of this Section 22.8.1 in any sublease, assignment, license, or permit by which the Tenant grants a right or privilege to any Person to render accommodations or services to the public at the Tenant Areas.

22.8.2. City Non-Discrimination Provisions.

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

this Lease shall also be subject to all non-discrimination clauses contained in this Section 22.8.2.

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

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

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

22.9. Taxes, Permits and Licenses. The Tenant will pay any and all taxes of whatever character that may be levied or charged upon the Demised Premises, or upon the Tenant's improvements, fixtures, equipment, or other property thereon or upon the Tenant's use thereof. The Tenant will also pay all license or permit fees necessary or required by law or regulation for the conduct of the Tenant's business or use of the Tenant Areas. By executing this Lease and

accepting the benefits hereof, a property interest in the nature of a "possessory interest" may be created in the Tenant. If such a possessory interest is deemed to be created, the Tenant, as the party in whom the possessory interest is vested, will be subject to the payment of the property taxes levied upon the possessory interest. The Tenant may contest the validity and applicability of any taxes or fees, and during the period of any lawful contest, the Tenant may refrain from making, or direct the withholding of, any such payment without being in breach of the provisions of this Section 22.9. Upon a final determination in which the Tenant is held responsible for such taxes or fees, the Tenant will promptly pay the required amount plus all legally imposed interest, penalties and surcharges. If all or any part of such taxes, fees, penalties or surcharges are refunded to the Landlord, the Landlord will remit to the Tenant such sums to which the Tenant is legally entitled.

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

22.11. Compliance with Los Angeles City Charter Section 470(c)(12). The Tenant, its sublessees, and their principals are obligated to fully comply with City of Los Angeles Charter Section 470(c)(12) and related ordinances, regarding limitations on campaign contributions and fundraising for certain elected City officials or candidates for elected City office if the contract is valued at \$100,000 or more and requires approval of a City elected official. Additionally, the Tenant is required to provide and update certain information to City as specified by law. Any tenant subject to Charter Section 470(c)(12), shall include the following notice in any contract with a sublessee expected to receive at least \$100,000 for performance under this Lease:

Notice Regarding Los Angeles Campaign Contribution and Fundraising Restrictions

As provided in Charter Section 470(c)(12) and related ordinances, you are a sublessee on City of Los Angeles contract # _____. Pursuant to City Charter Section 470(c)(12), sublessees and its principals are prohibited from making campaign contributions and fundraising for certain elected City officials or candidates for elected City office for 12 months after the City contract is signed. The sublessee is required to provide to the lessee names and addresses of the sublessee's principals and contact information and shall update that information if it changes during the 12 month time period. The sublessee's information included must be provided to contractor within 5 business days. Failure to comply may result in termination of contract or any other available legal remedies including fines. Information about the restrictions may be found at the City Ethics Commission's website at <http://ethics.lacity.org/> or by calling 213/978-1960.

The Tenant, its sublessees, and their principals shall comply with these requirements and limitations. Violation of this provision shall entitle City to terminate this Lease and pursue any and all legal remedies that may be available."

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

If to the Landlord:

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

Telecopier No. (310) 646-0523

with a copy to:

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

Telecopier No. (310) 646-9617

Electronic Mail address: CDG-Tenant-Notices@lawa.org

If to the Tenant:

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

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

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

24. Definitions. The terms defined in this Section 24 shall have, for all purposes of this Lease, the meanings herein specified unless unambiguously required to the contrary by their context.

"Active Loading" has the meaning given to it in the T1 Scheduling Protocols, the Airport-Wide Scheduling Protocols or the Interim T1 Scheduling Protocols if it is effective.

"Active Periods" has the meaning given to it in the T1 Scheduling Protocols, the Airport-Wide Scheduling Protocols or the Interim T1 Scheduling Protocols if it is effective.

"Active Unloading" has the meaning given to it in the T1 Scheduling Protocols, the Airport-Wide Scheduling Protocols or the Interim T1 Scheduling Protocols if it is effective.

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

"Airline" means an Air Carrier or Foreign Air Carrier as defined in 49 U.S.C. § 40102(A)(2) & (a)(21), respectively.

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

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

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

"Base Rent" means the rental payable for the use of the Demised Premises in monthly installments as provided in Section 3. As of the Commencement Date, the Base Rent is the Terminal Special Charges.

"Basic Information Schedule" means the schedule containing certain basic information and sample calculations relating to this Lease, including the rates and charges applicable to the Tenant in effect as of the Commencement Date, and attached to this Lease as Schedule 4.

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

"Boarding Devices" means passenger loading bridges, plane mates and other devices, if any, owned and operated by an airline to assist with passenger loading and unloading from aircraft, including remotely parked aircraft.

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

"Capital Improvement" means any improvement or item or related group of items acquired, purchased, leased or constructed to improve, maintain or develop the Airport, as well as any extraordinary or substantial expenditure whose object is to preserve, enhance or protect the Airport that, in accordance with generally accepted accounting principles consistently applied, is capitalized by the Landlord.

"City Attorney" means the Office of the City Attorney of the City of Los Angeles.

"City Council" means the Los Angeles City Council.

"Capital Costs" means all capital costs of the Airport, including the following:

(a) debt service (net of Passenger Facility Charges) allocable to bond-funded Capital Improvements;

(b) debt service coverage allocated in accordance with stated bond covenant requirements;

(c) amortization allocable to Capital Improvements funded with airport revenue, based on the economic life for each Capital Improvement and calculated using an interest rate set to equal the average all-in cost of Airport debt sold by LAWA during the calendar year when such Capital Improvement is put in service, or if no Airport debt was sold, set to equal comparable published average borrowing costs.

"Closing Date" shall have the meaning given to it in the Settlement Agreement.

"Common Use Areas", previously referred to as "Joint Use Areas" under the Tariff, means the space in any Terminal designated by the Executive Director to be used in common by one or more Airlines or otherwise benefitting one or more Airlines for operations and include, without limitation, Common Use Holdrooms, Common Use Ticket Counters, Common Use Baggage Claim Areas and Common Use Outbound Baggage System Areas.

"Common Use Baggage Claim Areas" means the space in any terminal at the Airport (excluding the FIS Areas) designated by the Executive Director to be used in common with other Airlines for the delivery of inbound baggage to arriving passengers, including the baggage recheck areas and the areas where Common Use Baggage Claim Systems are located.

"Common Use Baggage Claim System" means equipment that delivers inbound baggage to arriving passengers.

"Common Use Holdrooms" means the space in any terminal at the Airport designated by the Executive Director to be used in common with other Airlines for passenger holdrooms and gate areas.

"Common Use Outbound Baggage System" means equipment that sorts outbound baggage for delivery to departing aircraft.

"Common Use Outbound Baggage System Areas" means the space in any terminal at the Airport designated by the Executive Director to be used in common with other Airlines for the sorting of outbound baggage for delivery to departing aircraft and includes the areas that the Common Use Outbound Baggage System is located.

"Common Use Ticket Counters" means the space in any terminal at the Airport designated by the Executive Director to be used in common with other Airlines for ticket counters and associated queuing space.

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

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

"Demised Premises" means the space (if any) demised for the exclusive use of the Tenant under this Lease, consisting of approximately the number of square feet reflected on the Basic Information Schedule under the heading "Demised Premises", located in the Terminal and

shown in heavy black outline on the Airport Engineer's Drawing described on the Basic Information Schedule under the heading "Demised Premises", a copy of which is attached to this Lease as Exhibit A.

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

"Enplaned Passengers" means the actual number of passengers, not including the flight crew or international in-transit passengers, but including both originating and connecting passengers, embarking on a flight at the terminals at the Airport.

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

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

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

"First Option Date" means ninety (90) days after the T1 Non-Proprietary Terminal Renovations Component Completion Date of the first completely constructed T1 Non-Proprietary Terminal Renovations Component.

"FIS Areas," previously referred to as the "International Joint Use Areas" under the Tariff, means the space in the terminals at the Airport designated by the Executive Director to be used in common with other Airlines for federal inspection services (including sterile corridors, customs areas, baggage service areas, customs baggage claim areas, cashier areas, interline baggage areas, immigration inspection areas, storage areas, locker areas, federal inspection service swing areas, conference room areas and registration areas), offices for federal agencies, restrooms included in or adjacent to the foregoing areas, transit lounge space and other in transit facilities for international passengers.

"Force Majeure" means an event or effect beyond a party's reasonable control (financial inability excepted) such as a strike, lockout, embargo, unavailability of services, labor or materials, wars, insurrections, rebellions, civil disorder, declaration of national emergencies, or acts of God.

"Gate" means the gate position and the adjacent aircraft loading area.

"Guarantor" means, if the Tenant's obligations under this Lease have been guaranteed by any Person, the guarantor under the Guaranty, the identity of which is reflected in the Basic Information Schedule under the heading "Guaranty".

"Guaranty" means the guaranty to and in favor of the Landlord of the Tenant's obligations under this Lease, if the Tenant's obligations under this Lease have been guaranteed by any Person, reflected in the Basic Information Schedule under the heading "Guaranty".

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

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

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

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

"Interest Costs" means, with respect to any Terminal 1 Renovations (including the U.S. Airways relocation), imputed project interest costs calculated as simple interest at a rate of four percent (4%) from the date of expenditure by the Tenant to the projected date of either issuance of a rental credit or payment for an acquisition.

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

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

"Large Aircraft" has the meaning given to it in the T1 Scheduling Protocols, the Airport-Wide Scheduling Protocols or the Interim T1 Scheduling Protocols if it is effective.

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

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

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

"Minimum Performance Levels" has the meaning given to it in the T1 Scheduling Protocols, the Airport-Wide Scheduling Protocols or the Interim T1 Scheduling Protocols if it is effective.

"Minimum Utilization Requirement" has the meaning given to it in the T1 Scheduling Protocols, the Airport-Wide Scheduling Protocols or the Interim T1 Scheduling Protocols if it is effective.

"Non-Active Periods" has the meaning given to it in the T1 Scheduling Protocols or the Airport-Wide Scheduling Protocols.

"Operations and Maintenance Charge" means a charge assessed to Aeronautical Users through the Terminal Buildings Charge and the Common Use Areas rates and charges that is based on an equalized rate for the recovery of the Operations and Maintenance Expenses and Reserve Deposits that are included in the Operations and Maintenance Requirement (defined in the Rate Methodology).

"Operations and Maintenance Expenses," previously referred to as "Terminal Expenses" under the Tariff, means the total operation and maintenance expenses of the Airport.

"Passenger Facility Charges" means passenger facility charges remitted to the Landlord under 49 U.S.C. § 40117 and 14 C.F.R. Part 158 as they may be amended from time to time.

"Passenger Terminal Apron Area" means those areas of the airfield co-located with the Tenant's Preferential Use Gate designated by the Executive Director for the parking of passenger aircraft and ramp equipment, and the loading and unloading of passenger aircraft, which areas are subject to change from time to time.

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

"Preferential-Use Boarding Facilities" means a Gate designated as preferential-use, and associated facilities necessary for an airline's operations at such Gate including the passenger holdroom, seating, and Boarding Devices.

"Pro rata" means that the other airline's share of costs associated with its use of its Preferential-Use Boarding Facilities or any portion thereof, shall be assessed on the basis of its respective share of all operations (including the Tenant's) using said premises or portion thereof.

"Public Areas" means sidewalks, concourses, corridors, lobbies, passageways, restrooms, elevators, escalators and other similar space made available by LAWA from time to time for use by passengers, LAWA and Airline employees and other members of the public, as designated by the Executive Director.

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

"Relocation Construction Completion Date" means the date that the Tenant has completed all requirements under the construction approval permits issued by the Landlord for the relocation of U.S. Airways contemplated under the Relocation Plan.

"Relocation Expenses" means all moving costs associated with the relocation of U.S. Airways and other users, including, but not limited to, (i) the replacement of improvements made by U.S. Airways or other users, (ii) Interest Costs, and (iii) the installation of common use/shared use type equipment such as ticket counters and gate podiums in U.S. Airways' relocated space.

"Relocation Rental Credit" means a rental credit in the amount of the reasonable Relocation Expenses incurred by the Tenant and approved by the Landlord.

"Rentable Area", previously referred to as "Measured Area" under the Tariff, means any areas in the Terminals that are available for use by Airlines, other Aeronautical Users, concessionaires or LAWA or other governmental users on an exclusive, common or preferential use basis, as designated by the Executive Director. Rentable Area does not include any areas that are located outside the terminals at the Airport nor does Rentable Area include any space (such as security checkpoints) used by federal governmental agencies (such as Customs and Border Patrol or the TSA) or local law enforcement agencies to carry out their operations at the Airport.

"Reserve Deposits" means the amounts deposited to funds and accounts for operation and maintenance reserves, to satisfy debt service reserve requirements, and similar expense

reserves under the terms of any applicable bond covenants or as required by the Los Angeles City Charter.

"Southwest Renovations" means those Terminal 1 Renovations which are unique to the Tenant's operations at the Terminal and could not easily be utilized by other Airlines operating at the terminal such as (i) movable trade furniture, fixtures and equipment, and (ii) other certain improvements as defined in Schedule 1 – Attachment A located on or affixed to the Demised Premises.

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

"Substantial Destruction" means damage or destruction to the Tenant Areas making the Tenant Areas unfit for the Tenant's normal operations and resulting from a cause not insured against in the policies of insurance maintained by the Tenant (and not required to be maintained by the Tenant under the provisions of Section 11.2).

"T1 Non-Proprietary Renovations" means (i) those Terminal 1 Renovations that could readily be utilized by other Airlines operating at the Terminal without substantial additional costs to such Airlines, including the design and construction of an inline baggage system (the "Inline Baggage System") and (ii) those Terminal 1 Renovations that are infrastructure related for the Terminal building, such as electrical work, ductwork, plumbing work, fire alarm upgrades, and HVAC upgrades.

"T1 Non-Proprietary Airline Renovations" means the T1 Non-Proprietary Renovations located in the Terminal as identified in Schedule 1 – Attachment A.

"T1 Non-Proprietary Airline Renovations Component" means one of the seven (7) components of the T1 Non-Proprietary Airline Renovations located in the Terminal as identified in Schedule 1 – Attachment A.

"T1 Non-Proprietary Airline Renovations Component Acquisition Cost" means the actual expenses incurred by the Tenant for any of the T1 Non-Proprietary Airline Renovations Components, including the Interest Costs incurred for the T1 Non-Proprietary Airline Renovations Component, as verified by the Landlord and as certified by an officer of the Tenant in a written declaration.

"T1 Non-Proprietary Airline Renovations Component Completion Date" means, for each T1 Non-Proprietary Airline Renovations Component, the date that the following has occurred: (i) the Tenant has completed all requirements under this Lease and the construction approval permits issued by the Landlord for the T1 Non-Proprietary Airline Renovations Component and (ii) the Tenant has requested payment and provided the Landlord with 1. a written declaration by an officer of the Tenant that certifies the actual expenses incurred by the Tenant for the T1 Non-Proprietary Airline Renovations Component and 2. proof of payment, including, but not limited to, copies of invoices, of the actual expenses incurred by the Tenant for the T1 Non-Proprietary Airline Renovations Component.

"T1 Non-Proprietary Terminal Renovations" means the T1 Non-Proprietary Renovations located in the Terminal as identified in Schedule 1 – Attachment A.

"T1 Non-Proprietary Terminal Renovations Acquisition Cost" means the actual expenses incurred by the Tenant for the T1 Non-Proprietary Terminal Renovations, including the Interest Costs incurred for the T1 Non-Proprietary Terminal Renovations, as verified by the Landlord.

"T1 Non-Proprietary Terminal Renovations Component" means one of the eight (8) components of the T1 Non-Proprietary Terminal Renovations located in the Terminal as identified in Schedule 1 – Attachment A.

"T1 Non-Proprietary Terminal Renovations Component Acquisition Cost" means the actual expenses incurred by the Tenant for any of the T1 Non-Proprietary Terminal Renovations Components, including the Interest Costs incurred for the T1 Non-Proprietary Terminal Renovations Component, as verified by the Landlord and as certified by an officer of the Tenant in a written declaration.

"T1 Non-Proprietary Terminal Renovations Component Completion Date" means, for each T1 Non-Proprietary Renovations Component, the date that the following has occurred: (i) the Tenant has completed all requirements under this Lease and the construction approval permits issued by the Landlord for the T1 Non-Proprietary Renovations Component and (ii) the Tenant has requested payment and provided the Landlord with 1. a written declaration by an officer of the Tenant that certifies the actual expenses incurred by the Tenant for the T1 Non-Proprietary Terminal Renovations Component and 2. proof of payment, including, but not limited to, copies of invoices, of the actual expenses incurred by the Tenant for the T1 Non-Proprietary Terminal Renovations Component.

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

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

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

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

"Tenant Areas" means the Demised Premises and the Common Use Areas.

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

"Terminal" means the airline passenger terminals at the Airport reflected on the Basic Information Schedule as the "Terminal".

"Terminal Airline Support Systems" means an information technology system, used to allocate terminal resources (gates, stands, ticket counters, baggage carousels, bag sortation piers, flight information displays, gate information displays, and public address systems) to assist Airlines with passenger processing.

"Terminal Users" means, for any Terminal on any date, all passenger Airlines and other non-governmental Persons then leasing space at the Terminal, all passenger Airlines and other non-governmental Persons using space under the Tariff, and all other passenger Airlines and other non-governmental Persons then having other contractual arrangements with the Landlord for the use and occupancy of the Terminal, but excluding all itinerant and charter Airlines not leasing space at the Terminal and not signatories to a contractual arrangement with the Landlord having substantially the same economic provisions with respect to charges for the use of Common Use Areas and FIS Areas as those contained in this Tariff.

"Turn" means the active arrival and departure of an aircraft from a gate (including a remote gate) and may be measured in halves. The movement of an empty aircraft to or from a gate shall not constitute half a "Turn."

"TSA" means the United States Department of Homeland Security Transportation Security Administration, or its successor agency.

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

"Unified Capital Charge" means a charge assessed to Aeronautical Users through the Terminal Buildings Charge and the Common Use Areas rates and charges that is based on an equalized rate for the recovery of Capital Costs that are included in the Unified Capital Requirement (defined in the Rate Methodology).

25. Miscellaneous.

25.1. Waiver. No provision of this Lease may be waived, discharged or modified without an instrument in writing, signed by the party against whom enforcement of the waiver, discharge or modification is sought. No waiver on behalf of the Landlord will be deemed binding upon the Landlord unless approved in writing as to form by the City Attorney. During any period in which an Event of Default shall have occurred and be continuing, or during the existence of any breach of the terms of this Lease that, after the lapse of time or the giving of

notice (or both), would constitute an Event of Default, the Landlord's acceptance of payments of the Base Rent or additional rent shall not be deemed a waiver of the Event of Default or breach. The failure of the Landlord or the Tenant to insist upon the strict performance of any provision of this Lease shall not be deemed a waiver and shall not bar the Landlord or the Tenant from thereafter insisting upon strict performance of the provision.

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

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

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

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

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

25.7. Certain Amendments. If the City Attorney shall determine that any provision of this Lease is in conflict with any Legal Requirement or that any right otherwise afforded to the Tenant under this Lease would (if exercised by the Tenant) result in a violation of any Legal Requirement, the Landlord may unilaterally amend this Lease to the extent necessary to bring this Lease into conformity with the Legal Requirement or to restrict the rights otherwise afforded

to the Tenant to the extent necessary to prohibit the conduct that would result in the violation of the Legal Requirement, by delivering to the Tenant a notice specifying the text of the amendment and the date on which the amendment will become effective. Together with any notice amending the terms of this Lease as permitted by the preceding sentence of this Section 25.7, the Landlord will furnish to the Tenant an opinion of the City Attorney that specifies the conflict and the narrowest amendment, consistent with the remaining terms of this Lease, that would bring this Lease, as so amended, into conformity with the Legal Requirement or that would restrict the rights otherwise afforded to the Tenant to the extent necessary to prohibit the conduct that would result in the violation of the Legal Requirement. No such amendment will become effective on fewer than 90 days' notice to the Tenant, unless in the opinion of the City Attorney a shorter period of time is required in order to avoid any civil or criminal penalty. If the City Attorney shall determine that any policy of the Federal Aviation Administration, the U.S. Department of Transportation, the U.S. Transportation Security Administration, or any other federal or state regulatory agency shall have changed on or after the Commencement Date, whether or not the change shall have the force of law and whether or not the change shall have retroactive effect, the Landlord may unilaterally amend this Lease to the extent necessary to bring this Lease into conformity with the revised policy, by delivering to the Tenant a notice specifying the text of the amendment and the date on which the amendment will become effective. Together with any notice amending the terms of this Lease as permitted by the immediately preceding sentence of this Section 25.7, the Landlord will furnish to the Tenant an opinion of the City Attorney that specifies the change in policy and the narrowest amendment, consistent with the remaining terms of this Lease, that would bring this Lease, as so amended, into conformity with the new policy. No such amendment will become effective on fewer than 90 days' notice to the Tenant, unless in the opinion of the City Attorney a shorter period of time is required in order to avoid any civil or criminal penalty. By agreeing to this Section 25.7 Tenant does not waive and Tenant hereby retains all of its rights to challenge the validity of any such Legal Requirement or policy change.

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

25.9. Measurements. All measurements of (a) the Demised Premises, (b) the Common Use Areas, (c) the FIS Areas, and (d) any other relevant portion of the Terminal shall be made (except as required to the contrary by the express terms of this Lease) under ANSI/BOMA Z65.1-1996 ("Standard for Measuring Floor Area in Office Buildings") or any other consistent methods from time to time adopted by the Landlord. Any measurements of the Rentable Area of any terminal at the Airport shall be adjusted from time to time by the Landlord to take into account changes in the measurements of relevant portions of the terminal. For the purposes of any computation of area required by this Lease, (a) the measurement of any area in any terminal at the Airport will not be affected by the temporary unavailability of floor area in the such terminal at the Airport due to maintenance, repairs, and construction activity in or affecting such terminal, and (b) additions to any area in any terminal at the Airport resulting from the construction of new improvements will not be included in the measurement of any area in such

terminal until the new improvements are placed in service. The computation by the Landlord of any area required by this Lease shall be deemed conclusive absent manifest error. If at any time the Landlord concludes that any computation of floor area measurement proves to have been incorrect, the Landlord will promptly disclose the inaccuracy to the Tenant, and the Landlord and the Tenant will promptly make such payments to the other as may be necessary to correct retroactively for the economic effect of the error.

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

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

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

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

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

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

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

25.17. Survival of Obligations. Unless expressly provided to the contrary, the obligations of the Landlord and the Tenant hereunder shall survive, to the extent previously accrued, any termination of this Lease, the expiration of the Term or the exercise by the Landlord

or the Tenant of any of their respective remedies for the breach by the other of the provisions of this Lease.

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

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

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

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

25.22. Authority. Except as expressly provided in this Section 25.22 to the contrary, (a) the powers of the Landlord under this Lease, including the power to interpret and implement the provisions of this Lease, have been delegated to and may be exercised by the Executive Director, and (b) any notice, election, approval or consent that this Lease by its terms requires or permits the Landlord to give may be given by the Executive Director, in each case as if exercised or given by resolution or order of the Board. Without limitation of the authority of the Executive Director under Sections 14.2.1, 16.2.1, 16.2.3, 18.2, and 19.2 (after giving effect to the foregoing provisions of this Section 25.22), the Executive Director shall have the authority to bind the Landlord to any amendment of this Lease having the effect of increasing or decreasing by not more than \$150,000 in any Lease Year the amounts payable by the Tenant to the Landlord under this Lease. The authority of the Executive Director under this Section 25.22 shall not extend to either of the following actions without the prior approval or later ratification of the Board: (a) any extension of the Term for a period that, when added to the Term originally specified in this Lease, exceeds five years, or (b) any amendment of the terms of this Lease if the specific text of this Lease has been presented to and approved by the City Council of the City of Los Angeles. In taking any action under this Lease, the Tenant shall be entitled to rely on the authority of the Executive Director as specified in this Section 25.22.

25.23. Settlement Agreement. This Lease is being entered into pursuant to that certain Settlement Agreement, dated January 14, 2013, between the Landlord and the Tenant. To the extent that anything in the Settlement Agreement is inconsistent with the terms of this Lease, the terms of the Settlement Agreement shall govern.

[signature page follows]

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

LANDLORD:

APPROVED AS TO FORM:

CITY OF LOS ANGELES

Carmen A. Trutanich,
City Attorney

By: _____
Executive Director
Department of Airports

Date: 1/28/13

By: [Signature]
Deputy/Assistant City Attorney

TENANT:

ATTEST:

SOUTHWEST AIRLINES CO.

By: [Signature]
Name: Madeleine Johnson
Title: VP & General Counsel

By: [Signature]
Name: _____
Title: _____

Bob Montgomery
Vice President - Airport Affairs

[Corporate Seal]

Schedule 1 - Attachment A

Summary of Proposed Terminal 1 Renovations

Scope Component	Description
1. Relocations	The relocation of US Airways to Terminal 3, including the relocation of other parties in Terminal 3 as necessary.
2. West Ticketing – Arrivals Level	The renovation of the arrivals level on the west side of the ticketing building, including installation of new baggage claim devices, replacement of MEP systems and building finishes.
3. West Ticketing – Departure and Mezzanine Levels	The renovation of the departure and mezzanine levels on the west side of the ticketing building, including new ticket counters, replacement of MEP systems and building finishes. Also includes a new security screening checkpoint on the mezzanine level.
4. Inline Checked Baggage Inspection System and Facilities	The installation of a new inline baggage screening system. Also includes the renovation of the east side of the arrivals level of the ticketing building to enable the installation of the inline baggage system.
5. East Ticketing – Departure and Mezzanine Levels	The renovation of the departure and mezzanine levels on the east side of the ticketing building, including new ticket counters, replacement of MEP systems and building finishes. Also includes a new security screening checkpoint on the departure level.
6. Concourse	Renovate the entire concourse, replacing and upgrading MEP systems. Reconfigure the layout to provide a coordinated approach to holdrooms and concessions. Reconfigure support space on the lower level to accommodate relocated functions as the result of the ticketing and security checkpoint work.
7. Information Technology	Installation of a terminal wide premise distribution system and paging system.
8. Gate Systems	Reconfiguration of the aircraft parking to accommodate full B737-800W parking at 13 gates, including new apron paving, striping and fuel hydrant pit relocations. Replacement of all passenger loading bridges, 400Hz, pre-conditioned air and potable water equipment. Upgrade the battery chargers for GSE.
9. Terminal 2 Connector	Installation of a secure connector between Terminals 1 and 2.

Schedule 1 - Attachment A
Summary of Proposed Terminal 1 Renovations

Scope Component	Description
10. Curbside Canopy	Construction of a canopy over the departures curb between Terminals 1 and 2.
TOTAL PROJECTED COST	\$400,155,000

Schedule 1 – Attachment A
Southwest Renovations

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

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

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

Scope Component	Description
1. West Ticketing – Arrivals Level	Interior build out of a new Southwest Airlines baggage service office. All branded signage and displays. Relocation of Southwest baggage service operations.
2. West Ticketing – Departure and Mezzanine Levels	New ticket counter and curbside millwork, signage and equipment. Interior build out of new Southwest Airlines demised premises. All branded signage and displays. Relocation of Southwest ticketing operations.
3. East Ticketing – Departure and Mezzanine Levels	Interior build out of new Southwest Airlines demised premises. All branded signage and displays. Relocation of Southwest operations.
4. Concourse	New gate millwork and equipment. Interior build out of new Southwest Airlines demised premises. All branded signage and displays. Relocation of Southwest operations.
5. Gate Systems	Upgrade the battery chargers for Southwest electric GSE. Revised gate striping.
TOTAL PROJECTED COST	\$16,147,000

Schedule 1 – Attachment A

T1 Airline Renovations

In general, Airline Renovations are improvements that are:

- (a) Usable by any airline operating in Terminal 1.
- (b) To the parts of the building classified as “airline.”
- (c) In cases of base building infrastructure, the portion of the improvement allocated to Airline is based on the ratio of Airline to Public space in Terminal 1.

The specific components are listed below.

Scope Component	Description
1. West Ticketing – Arrivals Level	The renovation of the arrivals level on the west side of the ticketing building, including installation of new baggage claim devices, replacement of MEP systems and building finishes.
2. West Ticketing – Departure and Mezzanine Levels	The renovation of the departure and mezzanine levels on the west side of the ticketing building, including new ticket counters, replacement of MEP systems and building finishes. Also includes a new security screening checkpoint on the mezzanine level.
3. Inline Checked Baggage Inspection System and Facilities	The installation of a new inline baggage screening system. Also includes the renovation of the east side of the arrivals level of the ticketing building to enable the installation of the inline baggage system.
4. East Ticketing – Departure and Mezzanine Levels	The renovation of the departure and mezzanine levels on the east side of the ticketing building, including new ticket counters, replacement of MEP systems and building finishes. Also includes a new security screening checkpoint on the departure level.
5. Concourse	Renovate the entire concourse, replacing and upgrading MEP systems. Reconfigure the layout to provide a coordinated approach to holdrooms and concessions. Reconfigure support space on the lower level to accommodate relocated functions as the result of the ticketing and security checkpoint work.
6. Information Technology	Installation of a terminal wide premise distribution system and paging system.

Schedule 1 – Attachment A
T1 Airline Renovations

Scope Component	Description
7. Gate Systems	Reconfiguration of the aircraft parking to accommodate full B737-800W parking at 13 gates, including new apron paving, striping and fuel hydrant pit relocations. Replacement of all passenger loading bridges, 400Hz, pre-conditioned air and potable water equipment. Upgrade the battery chargers for GSE.
TOTAL PROJECTED COST	\$222,422,000

Schedule 1 – Attachment A

T1 Terminal Renovations

In general, Terminal Renovations are the improvements that are:

- (a) Expansion of the overall building footprint and envelope.
- (b) To the public areas of the building.
- (c) In cases of base building infrastructure, the portion of the improvement allocated to the Terminal is based on the ratio of Airline to Public space in Terminal 1.

The specific components are listed below.

Scope Component	Description
1. West Ticketing – Arrivals Level	The renovation of the arrivals level on the west side of the ticketing building, including installation of new baggage claim devices, replacement of MEP systems and building finishes.
2. West Ticketing – Departure and Mezzanine Levels	The renovation of the departure and mezzanine levels on the west side of the ticketing building, including new ticket counters, replacement of MEP systems and building finishes. Also includes a new security screening checkpoint on the mezzanine level.
3. Inline Baggage System and Facilities	The installation of a new inline baggage screening system. Also includes the renovation of the east side of the arrivals level of the ticketing building to enable the installation of the inline baggage system.
4. East Ticketing – Departure and Mezzanine Levels	The renovation of the departure and mezzanine levels on the east side of the ticketing building, including new ticket counters, replacement of MEP systems and building finishes. Also includes a new security screening checkpoint on the departure level.
5. Concourse	Renovate the entire concourse, replacing and upgrading MEP systems. Reconfigure the layout to provide a coordinated approach to holdrooms and concessions. Reconfigure support space on the lower level to accommodate relocated functions as the result of the ticketing and security checkpoint work.
6. Information Technology	Installation of a terminal wide premise distribution system and paging system.
7. Terminal 2 Connector	Installation of a secure connector between Terminals 1 and 2.

Schedule 1 – Attachment A
T1 Terminal Renovations

Scope Component	Description
8. Curbside Canopy	Construction of a canopy over the departures curb between Terminals 1 and 2.
TOTAL PROJECTED COST	\$146,929,000



OTHER TRANSACTION AGREEMENT
BETWEEN
DEPARTMENT OF HOMELAND SECURITY
TRANSPORTATION SECURITY ADMINISTRATION
AND
THE CITY OF LOS ANGELES
LOS ANGELES INTERNATIONAL AIRPORT

Negotiated by the TSA pursuant to
Aviation and Transportation Security Act, Pub. L. 107-71, 115 Stat. 597
49 U.S.C. §114(m)(1) and 106(l)(6)

HSTS04-09-H-CT1249

SCHEDULE 1 - B

ARTICLE I - PARTIES

The parties to this Other Transaction Agreement (Agreement) are the Transportation Security Administration (TSA), U.S. Department of Homeland Security (DHS), and the City of Los Angeles acting by and through its Board of Airport Commissioners (hereinafter CITY) relating to the Los Angeles International Airport (Airport or LAX). The TSA and the CITY agree to cooperate in good faith and to perform their respective obligations in executing the purpose of this Agreement and to insure the continuing progress of this project is not hindered.

ARTICLE II - LEGAL AUTHORITY

This Agreement is entered into under the authority of the Aviation and Transportation Security Act, Pub. L. 107-71, 115 Stat. 597, specifically 49 U.S.C. § 114(m)(1) and 106(l)(6), which authorizes other transaction agreements.

ARTICLE III - SCOPE

The purpose of this Agreement is to set forth the terms and conditions, as well as establish the respective cost-sharing obligations and other responsibilities of the TSA and the CITY with respect to the architecture and engineering services to produce designs for the in-line checked baggage Explosive Detection System (EDS) solutions at LAX terminals in accordance with the latest published TSA Planning Design Guidelines and Design Standards (PGDS). This Project involves developing the designs to address the modification and construction requirements needed for Checked Baggage Inspection System (GBIS) solutions at LAX Terminals 1, 2, 4, 6, 7, and 8 (hereinafter referred to as the Project). The designs need to address changes to baggage conveyor components, mechanical, plumbing, electrical, structural, and telecommunications infrastructure; to allow for the installation of Explosive Detection System (EDS) machines within baggage screening matrix(s) and Explosive Trace Detection (ETD) resolution area(s); a remote multiplexed On Screen Resolution Room/control room; as well as the installation of hardware and software for use with an in-line baggage screening application. The objective of this Agreement is to enhance the baggage screening capabilities and throughput.

Because the Project will occur substantially in terminal premises owned by the CITY and leased to or used by various airlines pursuant to the LAX Tariff. The CITY expects that any additional areas that may be necessary to implement the Project will either be leased to airline tenants ("Airline Tenants") or be made part of the Exclusive Use Space used by airlines using terminal space pursuant to the LAX Tariff ("Tariff Users"). Airline Tenants or Tariff Users will be required by the CITY to perform the project or cause the Project to be performed. Each Airline Tenant and Tariff User (hereinafter sometimes referred to as Project Manager) will manage the Project with oversight administered by the CITY. The CITY's participation is necessary to make this Project a success.

ARTICLE IV - COST SHARING AND OTHER RESPONSIBILITIES

1. Capital Costs: The estimated cost of the Project relates to the activities to be completed by the CITY and its respective Project Manager to produce the designs required to modify the

airport terminal infrastructure and baggage handling system (BHS) to support the installation and operation of the EDS and ETD equipment at the designated LAX Terminals. All work performed by the CITY and its respective Project Manager pursuant to this Agreement shall be accomplished in accordance with the design(s) endorsed by TSA in accordance with the TSA Planning Guidelines and Design Standards (PGDS) and in accordance with the CITY's Airport Building Standards and Criteria.

2. TSA agrees to reimburse the CITY for seventy-five percent (75%) of the allowable, allocable and reasonable costs expensed as of the Effective Date of the Agreement to produce schematic, 30%, 70% and 100% designs for LAX Terminals 1, 2, 4, 6, 7, 8 and construction of CBIS solutions including the necessary supervision not to exceed a total reimbursement of \$50,000,000.00. TSA reimburses 75 cents for every dollar submitted by the CITY for reimbursement of allowable, allocable and reasonable costs up to the TSA funded amount of \$50,000,000.00.

3. Determination of allowable and allocable costs will be made by the TSA in accordance with the OMB Circular A-87 "Cost Principles for State, Local and Indian Tribal Governments" in effect on the effective date of the Agreement. The TSA will reimburse the CITY on an actual expense basis supported by one or more invoices submitted by the CITY in accordance with Article X - Payment. The parties agree that all costs in excess of \$50,000,000, as well as any costs that are inconsistent with OMB A-87 shall be borne solely by the CITY unless otherwise agreed by the TSA in a modification in accordance with Article XIII - Changes and/or Modifications. Should the TSA contributions of \$50,000,000.00 represent more than 75 percent of the total final allowable and allocable, and reasonable costs; the CITY will refund the TSA for the difference to achieve a 75 percent level.

4. The primary use of the funds provided in this Other Transaction Agreement is for the 100% design efforts related to the modification and construction of Checked Baggage Inspection System (CBIS) solutions at LAX Terminals 1, 2, 4, 6, 7, and 8. The use of any funding remaining after the design efforts for the designated Terminals have been completed will be utilized in accordance with the direction of the TSA Office of Security Technology and the Other Transaction Agreement will be modified in accordance with Article XIII - Changes and/or Modifications. The Project costs for which TSA will reimburse is for those design and construction costs associated with the CBIS, the On Screen Resolution (OSR) room, the Checked Baggage Resolution Area(s) (CBRA), and the EDS network equipment room as required for each Terminal. Prior to issuing any solicitation packages or preliminary work required to enter into the construction phase of the Project, the City/Project Manager(s) must request and receive, in writing, specific authorization from TSA Office of Security Technology. The designs should address:

- Demolition (infrastructure or baggage handling system related)
- BHS infrastructure upgrades, platforms, catwalks located within the EDS screening matrix area
BHS: That portion located within the EDS screening matrix area including redesign and upgrading of conveyors to support the integration of the screening matrix only

- OSR Room, CBRA(s), and EDS network equipment room
- Acoustical treatment in OSR and CBRA
- Electrical infrastructure (cabling, control panels) and basic lighting fixtures for the CBIS, CBRA, and OSR.
- Telephone systems/pager systems for TSA, CBRA and OSR only
- Heating, Ventilation, Air Conditioning (HVAC) environmental requirements for CBIS, OSR Room, CBRA and EDS network equipment room
- Utility and infrastructure relocation and/or replacement necessary to construct the CBIS
- Construction to support the architectural and engineering elements of the OTA.

Non-reimbursable EDS in-line checked baggage Project costs include but are not limited to:

- Employee break rooms, administrative office space, and restrooms
- Aesthetic architecture enhancements
- Maintenance, repair parts or spare parts for Airport Terminal improvements including the baggage handling conveyor components installed under this Project
- Extended warranties beyond one (1) year
- Baggage make-up carousels or outbound sortation systems

ARTICLE V: PROJECT RESPONSIBILITIES

The Project will be overseen by the CITY. The CITY intends to enter into its own written agreements with various Airline Tenants and Tariff Users pursuant to which the management and performance of the portion of the Project located within such Airline Tenant's leasehold or Tariff User's Occupied Terminal Area will be delegated to such Airline Tenant or Tariff User, respectively, as Project Manager, in its role as lessee or Tariff User of the terminal premises. The City's agreement will require that the Project Manager (i) procure the services of a design consultant to undertake the Project, (ii) assume costs incurred over the funding covered by the TSA Other Transaction Agreement, and (iii) agree to all Project Manager responsibilities and related obligations described herein. To facilitate the integration of the EDS screening equipment into the BHS as well as monitor overall performance of the Project, primary responsibilities for TSA and the CITY/Project Manager are outlined below and in Appendix B.

A. TSA Responsibilities

1. Review and endorse the CBIS Project design and specifications at the schematic, 30%, 70% and 100% phases for each designated Terminal based upon the requirements outlined in the TSA Checked Baggage Inspection Standards Planning Guidelines and Design Standards (PGDS).
2. Provide the TSA Checked Baggage Inspection Standards Planning Guidelines and Design Standards, as well as the EDS equipment specification(s) as required.
3. Confirm the type of EDS equipment to be provided at each stage of the design as submitted.
4. Review Project cost estimates to ensure fair market value for the Government.
5. Approve the placement and installation of the EDS and ETD units in the baggage screening matrix in accordance with the Project design and deployment plan.

6. Furnish, deliver, rig, and install and test the EDS and ETD equipment.
7. Provide EDS Original Equipment Manufacturer Technical Support Advisory Services to the CITY regarding integration of the EDS units into the BHS.
8. Provide the EDS System Specific Test Plan (SSTP) to the Project Manager(s) following an EDS machine commissioning, coordination and test planning meeting. See Appendix BA for specifics.
9. Establish and conduct the integrated Site Acceptance Testing (ISAT) for EDS machine screening capabilities.
10. Observe and approve ISAT results before the EDS equipment is certified ready for operational use.

B. City of Los Angeles' Responsibilities and/or Project Manager Responsibilities

1. The City shall start with a design phasing process on the Terminals listed in Article III - Scope, based on priorities or future strategic planning. This strategic planning should be presented to the TSA Office of Security Technology for approval and concurrence to assure that the Projects can be completed in accordance with the constraints of costs, time and scope.
2. Costs for each Terminal Project are to be recorded and reported on a Terminal-by-Terminal basis.
3. Except for the responsibilities of the TSA, as outlined above, the design of each individual Terminal CBIS Project will be managed and overseen by the CITY and/or its designated Project Manager. The Project Manager, acting through such contractors as it may use, will provide the design services to undertake each Terminal Project. The Project Manager will provide oversight of such contractor(s) to ensure the Project is completed within the prescribed costs and schedule identified.
4. Ensure the designs for the each Terminal CBIS include, but are not limited to, BHS modifications, environmental controls, and any other airport terminal infrastructure work required supporting the operational environment of the EDS and ETD units; adheres to OSHA standards required for occupied spaces; as well as the applicable EDS installation guide specifications for operational environment requirements. Design provisions will provide for the full ingress and egress plans to be provided to the TSA and its EDS contractors for the installation, operation, testing, maintenance, and repair of the EDS and ETD equipment.
5. Obtain all necessary licenses, insurance permits and approvals.
6. Ensure the Project site will be ready to accommodate the installation of the EDS units when delivered. Project site preparation includes, but is not limited to, BHS modifications, environmental controls, and any other airport terminal infrastructure work required supporting the operational environment of the EDS and ETD units.
7. Facilitate the installation of the EDS units by providing a clear path during rigging and EDS installation, and provide sufficient space to allow for initial deployment activities such as uncrating the devices.
8. The City/Project Manager shall require that full ingress and egress be provided to the TSA and its contractors for the installation, operation, testing, maintenance, and repair of the EDS and ETD equipment.
9. Perform and bear all cost of the operation, maintenance and repairs for the airport

terminal installed property such as the baggage handling conveyor system, heating, air conditioning, and electrical infrastructure in support of this Project. Except for the TSA Security Screening EDS and ETD equipment owned by the TSA, the CITY, its lessees, or assigns as applicable, shall own and have title to all personal property, improvements to real property, or other assets which are acquired under this Agreement. It will be the responsibility of the CITY, or its contractor or lessee to operate, maintain, and if it becomes necessary repair or replace such property to support the efficient use of the TSA Security Screening Equipment.

10. Submit monthly progress status reports to the TSA Project Manager and TSA Contracting Officer identified in Article VIII – Authorized Representatives. The monthly report should provide an executive summary of work performed to date, identify the events to occur within the next 90 days, identify the Airport and its key contractor points of contact and use an earned value management approach to identify the cost and schedule variance incurred against work performance completed to date.

C. Deliverables

The Deliverables required to be submitted by the City and/or its designated Project Manager with respect to each Terminal are described in Appendix A; specific testing related Deliverables are outlined in Appendix B.

D. Operation and Maintenance Costs

It is understood that the EDS and ETD security screening equipment are and will at all times remain the property of the TSA. TSA will maintain, repair, and refurbish the EDS and ETD units at no cost to the CITY/Project Manager. To the extent that EDS and ETD security screening equipment can no longer be used at the end of its life cycle, or is no longer being used for any other reason, the TSA will provide for the removal and disposition of the equipment at no cost to the CITY/Project Manager subject to the availability of TSA funding, in such a manner as to allow the BHS to operate. No legal liability on the part of the TSA for any payment may arise for performance under this Agreement unless and until funds are appropriated for this disposal activity. In the event funds are not available for the removal or disposal of the EDS security equipment at the end of its life cycle, the TSA will leave the equipment in place as non-functioning units to allow the BHS to continue to operate.

Except for the EDS and ETD security screening equipment owned by the TSA and separately provided for use at the Airport, the CITY/Project Manager shall own and have title to all airport building improvements made such as heating, ventilation, air conditioning, electrical infrastructure, baggage handling conveyor systems and controls, or other assets which are acquired and installed under this Agreement in support of this Project. It will remain the responsibility of the CITY/Project Manager, its contractors or lessees acting through such agents as it may use, to maintain, repair and or replace such airport property to sustain the operational environment of the EDS and ETD security screening equipment. Title to all airport terminal building improvements that were purchased or reimbursed using Federal funds for this Project, shall become the property of the CITY/Project Manager, whether purchased with TSA or CITY/Project Manager funds.

ARTICLE VI - EFFECTIVE DATE AND TERM

The effective date of this Agreement is the date on which it is signed by the TSA or the CITY, whichever is later. Project completion is currently estimated to be on or about February 28, 2011 unless earlier terminated by the parties as provided herein or extended by mutual agreement pursuant to Article XIV. The period of performance for this effort is established as 36 months in order to allow the CITY time to submit a final invoice, close out the Project, and address any other issues.

The Project Manager will establish and provide Project Milestones to the TSA that allow objective measurement of progress toward completion. Project Milestones will be provided to the TSA within 30 days after execution of this Agreement. TSA maintains the right to identify the milestones to be tracked.

ARTICLE VII - ACCEPTANCE AND TESTING

TSA will deem the Project complete upon the submission of the 100% design for each LAX terminal CBIS design that is the most cost effective solution conforming to the TSA Planning Guidelines and Design Standards and technical specifications for the EDS baggage screening equipment. TSA will retain ten percent (10%) of each payment request submitted by the CITY for the duration of the Project until all TSA has completed its final review of the 100% CBIS design for each terminal. Once the 100% design for each terminal has received its final TSA review, TSA will release in the 10% retainage as part of the final invoice payment.

ARTICLE VIII. AUTHORIZED REPRESENTATIVES

The authorized representative for each party shall act on behalf of that party for all matters related to this Agreement. Each party's authorized representative may appoint one or more others to act as authorized representative for any administrative purpose related to this Agreement, provided written notice of such appointments are made to the other party to this Agreement. The authorized representatives for the parties are as follows:

A. TSA Points of Contact:

Peter McVey
Project Manager/Contracting Officer Technical Representative
Office of Security Technology, TSA-16
Transportation Security Administration
701 South 12th Street
Arlington, VA 20598-6016
Phone: 571-227-3842
E-Mail Address: peter.mcvey@dhs.gov

Connie Thornton, Contracting Officer
Office of Acquisition, TSA-25
Transportation Security Administration
4275 Airport Road, Suite C
Rapid City, SD 57703
Phone: 605-393-8191
E-Mail Address: connie.thornton@dhs.gov

Matthew Ashurst
Office of Acquisition, TSA-25
Transportation Security Administration
701 South 12th Street
Arlington, VA 20598-6025
Phone: 571-227-5376
E-Mail Address: matthew.ashurst@dhs.gov

Only the TSA Contracting Officer shall have the authority to bind the federal government with respect to the expenditure of funds. The TSA Contracting Officer Technical Representative (COR) is responsible for the technical administration of this Agreement and technical liaison with the CITY and its Project Managers. The TSA COR is not authorized to change the scope of work, to make any commitment or otherwise obligate the TSA, or authorize any changes which affect the liability of the TSA.

The CITY/Project Managers must notify the TSA CO and COR in event that any TSA agent or employee takes any action which is interpreted by the CITY/Project Managers as direction which consequently increases the CITY's costs and would cause the CITY to seek reimbursement from TSA beyond TSA's liability as stated in this Agreement.

B. The CITY's Points of Contact:

The CITY's Point of Contact for all correspondence is:

Steve Martin
 Chief Operating Officer
 Los Angeles World Airports
 1 World Way, P.O. Box 92216
 Los Angeles, CA 90009-2216
 (310) 646-8284
 smartin@lawa.org

The CITY's Point of Contact for invoices is:

Mark Vicelja
 Program Manager, In-Line System for LAX/ONT
 Major Projects Division
 Los Angeles World Airports
 7301 World Way West, 5th Floor
 Los Angeles, CA 90045
 (310) 577-3420
 mvicelja@lawa.org

C. Other Points of Contact include:

Title	Name	Role	Contact Information
TSA Deployment Lead	Peter McVey	Contracting Officer Technical Representative/Deployment Manager	Peter.mcvay@dhs.gov 571-227-3842
TSA Testing Lead	Amy Becks	Testing Contracting Office Technical Representative	Amy.becks@dhs.gov 571-227-1261
TSA Acquisition	Connie Thornton Matt Ashurst	Contracting Officer	Connie.thornton@dhs.gov 605-393-8191 Matthew.Ashurst@dhs.gov 571-227-5376
TSA FSD	Lawrence Feters	Federal Security Director	Lawrence.feters@dhs.gov 210-215-5370
TSA FSD Point of Contact	Doug Rae	Local TSA Coordinator	Douglas.rae@dhs.gov 310-242-9037
TSA Contractor Site Lead	Larry Butler	TSA Site Lead	Larry_Butler@arscorp.com 206-438-2048
LAWA Point of Contact	Mark Vicelja	Project Manager, In-Line System for LAX/ONT	Mvicelja@lawa.org 310-577-3420

ARTICLE IX - FUNDING AND LIMITATIONS

1. TSA will provide funding to the CITY in an amount not to exceed \$50,000,000.00. Funds in the amount of \$50,000,000.00 are hereby obligated and made available for payment for performance of this Agreement. Expenses incurred in executing the work identified herein are chargeable to:

PR: 21-09-209CT1249

Accounting Code:

5CF09XB010D2009SWE041GE013723006200622CTO-5904108900000000-251B-

TSA DIRECT-DEF. TASK

Amount: \$50,000,000.00

2. In the event of termination or expiration of this Agreement, any TSA funds that have not been spent or incurred for allowable expenses prior to the date of termination and are not reasonably necessary to cover termination expenses will be returned and/or de-obligated from this Agreement.

3. TSA's liability to make payments to the CITY is limited to the amount of funds obligated and available for payment hereunder, including written modifications to this Agreement.

4. Under no circumstances will TSA be responsible to pay and the CITY entitled to receive profit, overhead or general or administrative expenses for the work performed by CITY personnel under this Agreement, except, however the CITY may recover the allowable direct costs of the CITY's personnel performing work and the allocable costs of the contractors hired by the CITY and/or its Project Managers to perform the necessary work under this OTA. TSA will not be responsible for costs incurred by the CITY, its Projects Managers, its contractors or agents to perform work not in compliance with the TSA requirements in this Agreement. The TSA Contracting Officer has the right to recoup any payments made to the CITY if the Contracting Officer determines that the invoices exceed the actual costs incurred, or if the work substantially deviates from the TSA requirements for the Project pursuant to this Agreement.

5. TSA funds may be spent for allowable, allocable and reasonable costs in accordance with the OMB Circular No. A-87 in effect on the Effective Date of the Agreement.

ARTICLE X - PAYMENT

The United States Coast Guard Finance Center performs the payment function on behalf of the TSA. Reimbursement by TSA is conditioned upon submission to TSA of an invoice identifying the Project costs that have been incurred and paid. The TSA, via the Coast Guard Finance Center, intends to make payment to the CITY within 45 days of receipt of each properly prepared invoice for reimbursement of incurred costs. The TSA reimbursement process consists of two steps:

Step 1 - Summary Invoice Submittal to the U.S. Coast Guard Finance Center for Payment, and

Step 2 - Summary Invoice and Supporting Documentation Submittal to TSA for Approval of Payment

Step 1 - Summary Invoice Submittal to U.S. Coast Guard Finance Center

For purposes of submission to the Coast Guard Finance Center, the CITY's invoice format is acceptable for the Summary Invoice. As a reminder, Central Contractor

Registration is mandatory for invoice payment; for further information regarding the Central Contract Registration, please refer to <http://www.ccr.gov>
At a minimum the Summary Invoice should contain:

- (1) Agreement Number HSTS04-09-H-CT1249
- (2) Invoice Number and Invoice Date
- (3) Complete Business Name and Remittance Address.
- (4) Point of Contact with address, telephone, fax and e-mail address contact information
- (5) Tax Identification Number and DUN's Number
- (6) Dollar Amount of Reimbursement being requested
- (7) Signature of the CITY's authorized representative and the following certification language: *"This is to certify that the services set forth herein were performed during the period stated and that the incurred costs billed were actually expended for the Project."*

The Summary Invoice may be submitted by standard email or by electronic transmission to the following address(s):

Mailing Address: TSA Commercial Invoices
USCG Finance Center
P.O. Box 4111
Chesapeake, VA 23327

Email: FIN-SMB-TSAINVOICES@uscg.mil

Step 2 - Summary Invoice and Supporting Documentation Submittal to TSA for Approval of Payment

The TSA Contracting Officer and the Contracting Officer's Technical Representative are required to review and approve all invoices prior to payment. To aid in this review, the CITY shall provide a copy of the Summary Invoice along with all receipts, contractor pay requests and other supporting information which specify the vendor, services provided, and products delivered, as well as the appropriate identifications that the Airport has paid these obligations. The CITY is encouraged to provide this supporting information simultaneously with Step 1 in order to expedite the payment process.

The Support Documentation should contain the following items:

- Summary Invoice from Step 1
- An executive summary project overview with the first invoice
- A spreadsheet providing a categorized breakdown of the amount invoiced.
- A spreadsheet detailing the invoices and amounts submitted, including the individual invoice numbers, amounts and coding; grand totals; and detail on how each invoice is distributed amongst the work areas and construction divisions.
- Signed and approved legible copies of each individual's contractor's invoice to

include schedules of values (i.e. AIA 702/03) or statements of work.

- o Copies of contracts over \$1 million and change orders that provide support for the actual work being invoiced.
- o Rationale for all allocations or unusual calculations or assumptions.
- o Proof of delivery of the equipment to the project sponsor.
- Copies of subcontractors' invoice if listed on a prime contractor's invoice as a single amount (copies of timesheets and detailed backup not required if descriptions are clear and specific).
- Proof of payment by the CITY or the appropriate Project Manager for each invoice in the form of copies of checks/warrants, bank wire transfers, or accounting system transactions.

The Summary Invoice and supporting documentation may be submitted by mail via CD or paper documents or electronic transmission to the following address. The final closeout invoice should include proof that all required deliverables have been provided.

John Gebhart
 Jacobs Carter & Burgess, Inc
 2231 Crystal Drive, Suite 300
 Arlington, VA 22202
 Phone: 571-721-1269
 Email: john.gebhart@jacobs.com

Upon completion of the review of the supporting documentation for the Summary Invoice, the TSA Contracting Officer and Contracting Officer Technical Representative will advise the Coast Guard Finance Center regarding payment of the Summary Invoice.

ARTICLE XI - AUDITS

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

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

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

The CITY or the appropriate Project Manager will be required to submit cost or pricing data and supporting information in connection with any invoice relating to this Agreement if requested by the TSA Contracting Officer.

This Article XI shall not be construed to require the CITY or its Project Manager(s), contractors or subcontractors to create or maintain any record that they do not maintain in the ordinary course of business pursuant to a provision of law, provided that those entities maintain records which conform to generally accepted accounting practices.

The CITY and its Project Manager(s) shall insert a clause containing the terms of Article XI - Audits in all its contracts and subcontracts under this Agreement that exceed \$100,000.00 (One Hundred Thousand Dollars).

ARTICLE XII - REQUIRED FEDERAL PROCUREMENT PROVISIONS

The CITY and/or its Project Manager(s) shall comply with the Title VI of the Civil Rights Act of 1964 relating to nondiscrimination in Federally assisted programs. Additionally, FAR Clause 52.203-11 "Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions" is incorporated herein by reference into this Agreement. Where possible, contracts awarded by the CITY and/or its Project Manager(s) should be awarded via competitive negotiation and heed the Buy American Act.

The CITY and/or its Project Manager(s) agree to include in its contract(s) a provision that the Airport Terminal CBIS designs are to comply with the TSA's Planning Guidelines and Design Standards. An earned value management approach shall be incorporated into any follow-on construction contracts in order to monitor cost and schedule. This information shall be included in the monthly report provided to TSA.

ARTICLE XIII - CHANGES AND/OR MODIFICATIONS

Changes and/or modifications to this Agreement shall be in writing and signed by the TSA Contracting Officer and the authorizing official of the CITY. Any modification shall cite this Agreement and shall state the exact nature of the change and/or modification. No oral statement by any person shall be interpreted as modifying or otherwise affecting the terms of this Agreement. The properly signed modification shall be attached to this Agreement and thereby become a part of this Agreement.

ARTICLE XIV - DISPUTES

When possible, disputes will be resolved by informal discussion between the appropriate CITY representative and the TSA Contracting Officer. In the event that the parties are unable to resolve any disagreement through good faith negotiations, the dispute will be resolved by submission of the dispute to the TSA Assistant Secretary or his or her designee for resolution. The parties agree that the TSA Assistant Secretary's decision shall be final and not subject to judicial or administrative review and shall be enforceable and binding upon the parties.

ARTICLE XV - TERMINATION

In addition to any other termination rights provided by this Agreement, either party may terminate this Agreement at any time prior to its expiration date, with or without cause, and without incurring any liability or obligation to the terminated party (other than payment of amounts due and owing and performance of obligations accrued, in each case on or prior to the termination date) by giving the other party at least thirty (30) days' prior written notice of termination. Upon receipt of a notice of termination, the receiving party shall take immediate steps to stop the accrual of any additional obligations that might require payment. In the event that the CITY terminates the Agreement, the CITY shall be responsible to pay the TSA for any additional costs incurred by the TSA resulting from the termination. In the event of termination or expiration of this Agreement, any TSA funds which have not been spent or obligated for allowable expenses prior to the date of termination, and are not reasonably necessary to cover termination expenses, shall be returned to the TSA.

ARTICLE XVI - CONSTRUCTION OF THE AGREEMENT

This Agreement is an "other transaction" issued under 49 U.S.C. § 106(l) and 114(m)(1) and is not a procurement contract, grant or cooperative agreement. Nothing in this Agreement shall be construed as incorporating by reference or implication any provision of Federal acquisition law or regulation. It is not intended to be, nor shall it be construed as creation of a partnership, corporation, or other business entity between the parties.

Each party acknowledges that all parties hereto participated equally in the negotiation and drafting of this Agreement and any amendments thereto, and that, accordingly, this Agreement shall not be construed more stringently against one party than against the other.

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties.

In the event that any Article and/or parts of this Agreement are determined to be void, such Article or portions thereof shall lapse. No such lapse will affect the rights, responsibilities, and obligations of the parties under this Agreement, except as provided therein. If either party determines that such lapse has or may have a material effect on the performance of the Agreement, such party shall promptly notify the other party, and shall negotiate in good faith a mutually acceptable amendment to the Agreement if appropriate to address the effect of the lapse.

ARTICLE XVII - PROTECTION OF INFORMATION

The parties agree that they shall take appropriate measures to protect all proprietary, privileged, confidential, or otherwise Sensitive Security Information (SSI) that may come into their possession as a result of this Agreement.

A. RELEASE OF TECHNICAL DATA

No Sensitive Security Information (SSI), as defined in 49 CFR Parts 15 and 1520, concerning the scope of this Agreement, shall be published or released to the public without prior written approval of the TSA Assistant Secretary or his or her designee.

B. RECORDS AND RELEASE OF INFORMATION

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

C. MEDIA

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

ARTICLE XVIII - SURVIVAL OF PROVISIONS

The following provision of this Agreement shall survive the termination of this Agreement: Article III - Scope, paragraph C; Article XI - Audits; Article XIV - Disputes, Article XVII - Protection of Information and Article XVIII - Survival of Provisions.

IN WITNESS WHEREOF, the Parties have entered into this Agreement by their duly authorized officers this _____ day of _____, 2009.

U. S. Department of Homeland Security
Transportation Security Administration

The City of Los Angeles

Connie Thornton
TSA Contracting Officer

Gina Marie Lindsey
Executive Director

Date

Date

By: _____
Chief Financial Officer

APPROVED AS TO FORM:
ROCKARD J. DELGADILLO
City Attorney

By: _____
Deputy City Attorney

Name

Date

Copy to:
Office of Security Technology
Federal Security Director

OTHER TRANSACTION AGREEMENT

TABLE OF APPENDICES

APPENDIX A – OTHER TRANSACTION AGREEMENT DELIVERABLES

APPENDIX B – TSA Checked Baggage Inspection System Installation and Testing Reference

OTHER TRANSACTION AGREEMENT

APPENDIX A

DELIVERABLES

Item	Submitted To:	Frequency or Due Date	Special Notes:
Design Schematic, 30%, 70%, 100% and associated cost estimate	TSA Project Manager	Per the approved schedule.	The City and/or its Project Manager shall attain written approval from TSA before moving forward on design effort stages.
Master Schedule and detailed Estimate of Costs to Include Project Milestones (Design, Construction and Baggage Handling System)	TSA Project Manager TSA Contracting Officer ("CO") TSA Contracted Site Lead	Submitted within 30 business days of OTA signing to be updated and submitted with monthly report as Project is underway.	All schedules and cost estimates to be approved must have written concurrence TSA Project Manager
Breakout of cost based on an established Schedule of Values for Design, Construction, Baggage Handling Contracts	TSA Project Manager TSA CO TSA Contracted Site Lead	City/Project Manager to provide upon Issuing Notice to Proceed to Contractor and whenever Change Orders are issued	All schedules and cost estimates to be approved must have written concurrence from TSA
Design, Construction and BHS Contracts including any subsequent Change Orders.	TSA Project Manager TSA CO TSA Contracted Site Lead	Upon Award by the City/Project Manager.	
Monthly Project Report: (Current and forecasted for the next period's tasks.) <ul style="list-style-type: none"> • Tasks completed • Schedule • Budget and actual costs spent to date • Cost Variance • Schedule Variance • Variance analysis data in excess of 10% • Identify Tasks for next 90 days 	TSA Project Manager TSA CO TSA Contracted Site Lead	By the 10 th of each Month. Monthly. Electronic submission is requested if feasible.	
Construction			
Mechanical and Electrical Shop Drawings for concurrence with reviewed design submittal	TSA Project Manager TSA Contracted Site Lead	Upon completion by the BHS Contractor, concurrent with the standard submittal to the Airport Project Team	
Contract Addenda, Change Order Requests, Requests for Information or Clarification	TSA Project Manager TSA Contracted Site Lead	Upon review and concurrence by the Airport Project Team of a possible deviation from the TSA reviewed design.	
Close Out Process			
Close Out Process requires the correction of testing deficiencies (if any)	Close Out Report submitted to TSA Project Manager and TSA Contracted Site Lead	Initiated after TSA completion of Integrated Site Acceptance testing and deficiencies (if any) have been corrected.	
As Built Drawings and final configuration in electronic format, .dwg (AutoCAD) or comparable format PDF	TSA Project Manager	No later than 30 days after 30-day operational run-in period and commissioning of system(s)	
Overview of drawings of the EDS Matrix/Node, Checked Baggage Resolution Room, OSR Room as applicable. .dwg (AutoCAD) or comparable PDF format	TSA Project Manager	30 days after 30-day operational run-in period and commissioning of system(s)	
Final Invoice	TSA Project Manager TSA CO	Upon correction of testing deficiencies, submission of 'as-built' drawings and closeout of City/Project Manager related contracts	Typically occurs three to four months after ISAT.

OTHER TRANSACTION AGREEMENT

APPENDIX B

TSA Checked Baggage Inspection System Installation and Testing Reference

Scope: TSA support for the Checked Baggage Inspection System (CBIS) solution for the Airport's In-line Baggage Screening System will encompass design and modification of existing Baggage Handling Systems (BHS) to support a matrix of EDS machines. TSA will further support this project with the installation, start-up and commissioning, integration and testing of EDS machines and relevant ancillary equipment.

TSA responsibilities with regard to the Project are listed below in sections 1.1 to 1.7 listed below. Many responsibilities are delegated to TSA contractors such as the EDS Original Equipment (OEM) Manufacturer, TSA Site Lead Contractor, and TSA Acceptance Testing Contractor but ultimate responsibility resides with TSA.

1.1 EDS PLACEMENT

TSA will install EDS units, ETD screening equipment and ancillary screening equipment at the designated Airport Terminal locations at a mutually agreed upon date. TSA, through the EDS OEM, shall be responsible for coordinating and integrating activities regarding placement of EDS equipment with appropriate TSA Staff and the Airport Baggage Handling System (BHS) team personnel.

1.2 INSTALLATION SUPPORT

1.2.1 Project Management

The EDS OEM shall be responsible for providing technical support throughout the entire period of performance during the installation project. The EDS OEM shall be responsible for all labor, materials, equipment, and support services required for planning, managing, and supervising all items related to the installation of the EDS units and associated ancillary equipment.

1.2.2 Technical Support

TSA will provide technical support to the project through existing contracts with the EDS OEM, TSA Site Lead, and TSA Test Lead.

- The identified TSA Site Lead should be included in all relevant planning/project meetings relevant to TSA contributions to the Project. Project schedules and updates should be provided to the TSA Site Lead to ensure TSA has timely and sufficient notice of deliverable dates.
- The EDS OEM shall provide technical consultations to the TSA Project Manager and Airport Project Manager regarding project efforts that may include, but are not limited to: teleconferences; reviews of drawings and specifications; and exchanges of technical documentation such as specifications, manuals, and guides.
- TSA Test Lead shall support testing of the EDS units and their integration with the BHS and will develop relevant test plans and reports that will be shared with the Airport Project Manager.
- Support for the development and execution of the OTA in place between TSA and the County will be provided by TSA Office of Acquisition.
- Oversight and coordination of technical aspects of the project will be provided by the TSA Deployment Team.

- Local TSA personnel shall support coordination of issues between TSA Office of Security Technology and the Airport Project Manager as directed by the Federal Security Director (FSD).

Title	Name	Role	Contact Information
TSA Deployment Lead	Peter McVeigh	TSA Project Lead, and Contracting Technical Representative	Peter.McVeigh@dhs.gov 5711-227-3842
TSA Test Lead	Amy Becke	TSA Testing Point of Contact	Amy.becke@dhs.gov 571-227-1261
TSA Office of Acquisition	Connie Thornton Matt Ashurst	TSA Contracting Officer	Connie.Thornton@dhs.gov 605-393-8191 Matthew.Ashurst@dhs.gov 571-227-5376
TSA FSD Point of Contact	Doug Rae	Local TSA Coordinator	Douglas.rae@dhs.gov 310-242-9037
TSA Contracted Site Lead	Larry Butler	TSA Site Lead	Larry_Butler@urscopr.com 206-215-5370
Airport Point of Contact	Mark Vicolja	Project Manager, In-Line System for LAX	mvicolja@lawa.org 310-577-3420

1.2.3 Commissioning Services

TSA, through the EDS OEM and other TSA contractors, shall be responsible for all labor, materials, equipment, and support services needed to assemble, power up, configure, and install the EDS machines into the required operational condition. The EDS OEM shall provide technical support, documentation, and installation of the EDS units and the associated local Baggage Viewing Stations (BVS) after confirmation that all pre-Installation requirements have been met. The EDS OEM shall coordinate with the TSA Project Manager/TSA Site Lead, TSA Test Lead, and the Airport's Project Manager's contractors to perform system testing. The EDS OEM shall provide these services within two weeks of receipt of a written request.

1.3 ACCEPTANCE TESTING

Mandatory testing for this system includes Site Acceptance Testing (SAT) for the EDS units following installation; pre-Integrated Site Acceptance Testing following the integration of the EDS units with the BHS affirmed through a Test Readiness Report (TRR); and Integrated Site Acceptance Testing (ISAT) prior to TSA acceptance of the system for operational use. See table below for minimum lead time requirements for testing activities.

Lead Time for ISAT (Days Prior to projected test date)	Activity	Responsible Parties
Site Initiation	Site Planning Checklist delivered to the Airport Project Sponsor to complete to support ISAT Site Specific Test Plan (SSTP) development.	TSA Deployment/Site Lead
≥100 days	Completed Site Planning Checklist and other required site documentation received by ACCEPTANCE TESTING contractor from Site Lead, to include <ul style="list-style-type: none"> BHS Specifications Controls Description and/or Description of Operation (if both exist then provide both) Fail-safe and/or E-Stop Zone Drawings BHS Drawings, Plan View(s) (with control stations and conveyor numbering) and 	Airport Project Team/Site Lead

	<p>Elevation View(s)</p> <ul style="list-style-type: none"> Available CBIS Daily Reports shall be provided during ISAT testing and throughout the Run-in period. These reports should meet the requirements described in PGDS Appendix D1 of the PGDS. Conveyor Motor Manifest <p>It may be necessary to supplement the above material with additional documentation, such as:</p> <ul style="list-style-type: none"> Installation Phasing Plan Narrative and Phasing Plan Drawings Construction and Testing Schedule(s) Sample CBIS Report that presents the status of bag arrivals at CBRA. Ideally, a break-out of all possible statuses presented for bag arrivals at CBRA will be provided in this report. 	
≥90 days	On-site Site Survey Meeting held to assist in preparation of the SSTP and to conduct initial test coordination. This visit will allow the Acceptance Testing Contractor to tour the site, review the completed Site Planning Checklist with the Project Team, and initiate the SIDA badge application process, if required. TSA Site Lead coordinates schedule with Project Team and TSA's Acceptance Testing Contractor.	Airport Project Team/ TSA Deployment/Site Lead/Acceptance Testing Contractor
90 to 60 days	SSTP is developed by the Acceptance Testing Contractor and a draft is submitted to TSA OST.	Acceptance Testing Contractor
60 to 45 days	TSA OST submits feedback for the draft SSTP to Acceptance Testing contractor.	TSA OST
≥45 days	SSTP is revised, based on TSA OST feedback, and is delivered to the Project Team	TSA Site Lead/Acceptance Testing Contractor/ Airport Project Team
45 to 30 days	SSTP is revised, based on Project Team review, and final version is submitted to TSA OST and Project Team.	Acceptance Testing Contractor
≥30 days	Test coordination meeting between Site Lead, Acceptance Testing Contractor, and Project team to review the final SSTP, coordinate logistics & manpower, and to review the TRR process and specific tests to be performed. <u>Any requests for deviation from the SSTP testing requirements must be delivered in writing to the TSA prior to this meeting for review and response.</u> This is last chance for Project Team to disclose any test standards that cannot be met in writing and formally justify exemption from said test criteria. Final revisions to the SSTP will be made, including the incorporation of exemptions approved by TSA Deployment, if applicable.	Airport Project Team TSA Deployment/Site Lead/Acceptance Testing Contractor
Typically 14 days to 1 day	Acceptance Testing Contractor will ship test articles. Project Team receives test articles and stores as appropriate.	Airport Project Team/Acceptance Testing Contractor
≥11 business days	Project Team delivers internal pre-ISAT test results to Site and TRR readiness confirmation letter to the TSA Deployment Contractor's Commissioning Lead. Upon successful review, the Site/TRR Lead is deployed to the site within 7 days.	Airport Project Team/Site Lead
≥7 business days	Site Lead performs the TRR.	Airport Project Team/Site Lead

≥3 business days	When notice of successful TRR is provided no later than COB Wednesday (5:00 p.m. EST), ISAT deployment will occur the following Monday. If delivered any time Thursday through Sunday, test team deployment will occur on the second Monday.	Airport Project Team/Site Lead/ Acceptance Testing Contractor
2 business days	Acceptance Testing Contractor travel day (normally Monday)	Acceptance Testing Contractor
1 to 0 business days	Acceptance Testing mobilization activities (normally Tuesday). Activities will include an In-brief meeting for all stakeholders.	Airport Project Team/Acceptance Testing Contractor
Test start	Normally Tuesday or Wednesday. Acceptance Testing contractor will accept PLC code from Site Lead or Airport Project Team at the time of testing. Acceptance Testing contractor will collect BHS conveyor details for specific sections of the CBIS. Prior to departing the site, an Out brief meeting will be held for all site stakeholders.	Airport Project Team/Acceptance Testing Contractor/Site Lead
≤1 business day after ISAT data analysis is complete	QLR is submitted by Acceptance Testing contractor to TSA OST.	Acceptance Testing Contractor/TSA OST
TSA OST discretion	Following TSA OST QLR review and approval for live operations, substantial use live operations (run-in) may begin. The Acceptance Testing contractor will collect daily CBIS reports from the Airport Project Team at one-week intervals, as previously coordinated.	Airport Project Team/Acceptance Testing Contractor/TSA OST
Typically ≥28 days or more from start of substantial use	Acceptance Testing contractor remotely monitors system performance during the substantial use live operations run-in period and analyzes at least 21 days of run-in data received from Airport Project Team.	Airport Project Team/Acceptance Testing Contractor
3 to 5 business days following completion of 21 days of run-in data analysis.	Acceptance Testing contractor observes system operation on-site and collects any necessary remaining data to analyze a minimum of 30 days of run-in data. In addition, PLC code is collected from Site Lead or Airport Project Team. Acceptance Testing contractor will also collect BHS conveyor details for specific sections of the CBIS.	Airport Project Team/Acceptance Testing Contractor/Site Lead
3 to 5 business days following completion of 30 days of run-in, data analysis, and on-site observations	TSR, if required, is submitted by Acceptance Testing contractor to TSA OST.	Acceptance Testing Contractor/TSA OST
≤20 business days from conclusion of 30 days of run-in, data analysis, and on-site observations	SSTR is submitted by Acceptance Testing contractor to TSA OST.	Acceptance Testing Contractor/TSA OST

1.3.1. Site Acceptance Testing (SAT)

The EDS OEM shall coordinate and conduct SAT testing on the EDS machines in the presence of a TSAOST designated government witness (normally the Acceptance Test Contractor.) The EDS OEM shall implement and coordinate testing by issuing a Test Readiness Notification (TRN) at least 7 days prior to the scheduled Acceptance testing. Passing SAT results are required prior to integration of EDS to the BHS and to certify equipment readiness for operational use in screening baggage. In the event that supplied EDS units cannot meet SAT test requirements, TSA will ensure that any defects are corrected or that the EDS unit is replaced.

1.3.2. Site Specific Test Plan Development (SSTP)

TSA has arranged for its Acceptance Testing Contractor to develop a Site Specific Test Plan based on testing criteria outlined in the TSA CBIS Planning Guidelines and Design Standards Appendix D-2. The

SSTP will be based on the Airport Project Manager responses to a Site Planning Checklist to be completed ≥ 100 days in advance of Integrated Site Acceptance Testing. The Final SSTP shall be delivered to the Airport Project Manager 30 days in advance of projected ISAT start-up. This is preceded by reviews of the draft SSTP by TSA OST 60-45 days prior to testing and by the Airport Project Team 45-30 days prior to testing. The TSA Site Lead and Acceptance Testing Lead shall participate in a Test Coordination meeting no less than 30 business days prior to the projected ISAT start up to ensure that all Airport Project Team concerns and questions about the ISAT test plan are resolved and to coordinate logistical and technical needs. Any requests for deviation from the SSTP testing requirements must be delivered in writing to the TSA OST prior to this test coordination meeting for review and response. This is last chance for Airport Project Team to disclose any test standards that cannot be met in writing and formally justify exemption from said test criteria.

1.3.3. Integrated Site Acceptance Testing (ISAT)

Scheduling and Coordination: Construction schedule including the ISAT start date(s) and duration(s) shall be shared with the TSA Site Lead at 120, 90, 60, 30, and 14 days from the anticipated ISAT start date. This schedule shall be distributed each time changes are made to the ISAT start date and/or duration. Changes made to the schedule within two weeks of the planned ISAT start date may relieve the TSA of the obligation to begin testing within three business days of the TRR. In this situation, the ISAT start date could depend on TSA's testing workload and resource allocation.

Test Results and Reports:

Testing results will be shared in hard copy format with the Airport Project Manager through the local TSA Point of Contact. Test results will identify security, efficiency and safety concerns. There are four (4) possible test outcomes:

- Meets Criteria – System meets TSA PGDS Requirements;
- Meets Waivered Criteria – System meets PGDS requirements and TSA deployment waived criteria.
- Defects Found – TSA may staff the system but further work is needed to correct defects;
- Fail – TSA will not staff the system; Airport should resolve issues as published and prepare for re-testing

In the event of a failed ISAT result, TSA reserves the right to defer any subsequent re-tests for a period of at least 30 days.

1.4 INTEGRATION SERVICES

1.4.1. BHS Support

The EDS OEM shall assist the Airport Project Manager's BHS contractor to establish digital and serial communication for the EDS units. Once communication between devices has been established, the EDS OEM shall provide the following support and integration services.

- Assist the BHS contractor to obtain efficient EDS operation.
- Provide on-site Integration Engineer Support Services to facilitate the entire integration effort with the BHS.
- Be available to support system testing and validation conducted by internal or external organizations including Site Specific Test Plan (SSTP) for the Integrated Site Acceptance Test (ISAT) and pre-ISAT project testing and throughout the planning phases including the issuance of the ISAT TRN and TRR.
- During initial system operations run of live checked baggage, provide technical assistance as requested by TSA and/or the Airport Project Manager.

1.4.2. Software and Hardware

Following SAT and throughout the integration effort, the EDS OEM shall install and test the required software and hardware to allow for digital and serial communication between the EDS and the BHS PLC if required. Functionality of the EDS BHS interface hardware and software shall be verified by the EDS OEM at the interface box prior to working with the BHS contractor to ensure a proper operating PLC interface and to avoid delays.

1.5 SYSTEM NETWORKING

1.5.1 Network Infrastructure

The EDS OEM shall provide required patch cables and miscellaneous hardware to interface between network patch panel and EDS OEM supplied networking components.

1.5.2 Network Services

The EDS OEM shall provide: training for TSA staff; coordination and support for TSA and testing certification; and resources to conduct installation, testing, and initial operational support for networking. No other network may interface with the networked airport screening solution. The implemented assigned network for operation shall be an isolated, stand-alone network.

1.6 TRAINING

TSA will provide training for TSA screening staff on the operation of the EDS and ETD equipment.

1.7 MAINTENANCE

Upon successful completion of SAT testing for each unit, TSA will maintain and repair the EDS and ETD units throughout their lifecycles.

B. AIRPORT PROJECT MANAGER'S RESPONSIBILITIES with regard to the Project are listed below in sections 2.1 to 2.5 listed below.

2.0 DESIGN

The Airport Project Manager will undertake design of a baggage screening system in accordance with the TSA Planning Guidelines and Design Standards which meets the needs of the Airport and TSA FSD. The Project Manager shall submit designs at 30% and 100% intervals to TSA for review. The Airport Project Manager shall respond to TSA design review comments promptly and in writing.

2.1 EDS PLACEMENT

The Airport Project Manager shall ensure that the Project site will be ready to accommodate the installation of the EDS and associated equipment. The Airport Project Manager shall be responsible for providing all rigging and rigging oversight activities, and shall provide adequate protection to the EDS machines and to the airport infrastructure during any and all EDS movements. The Airport Project Manager shall coordinate with the EDS OEM to integrate all activities regarding placement of EDS equipment. The Airport Project Manager shall provide reasonable measures to protect the EDS and ETD equipment from damage in the screening area.

2.1.1 Site Readiness and Storage

The Airport Project Manager shall confirm site readiness to receive EDS units to the TSA Site Lead no later than 10 business days prior to requested delivery date. Site readiness shall address availability of permanent power; removal of obstacles to the rigging path; and adequacy of physical environmental conditions within the delivery area that meet EDS OEM standards for protecting the EDS units. The Airport Project Manager shall provide secure storage for the EDS units and ancillary equipment if site conditions at the time of delivery do not provide adequate protection. The Airport Project Manager shall provide secure storage space for hardware associated with EDS integration and multiplexing until it can be installed by EDS OEM Integration Support Staff. Failure to meet these minimum requirements may result in reallocation of equipment to other sites, thus affecting the airport's overall project schedule.

2.1.2 Rigging Services

The Airport Project Manager will be responsible for providing rigging path verification, ingress path, and/or structural analysis. If required, the Project Manager will remove and replace any walls, windows, glass, doors, or other physical barriers in support of rigging activities.

2.2 INSTALLATION SUPPORT

2.2.1 Power Requirements

The Airport Project Manager will provide terminations to the EDS for electrical power. The Airport Project Manager will be responsible for providing all infrastructure power requirements including separate

metering. If applicable, the Airport Project Manager will design and install all power requirements to terminal locations within the OSR room, ETD room, and at EDS locations. The Airport Project Manager will provide cabling from terminations to EDS equipment. The Airport Project Manager shall attest to the availability of power supply to adequately support the EDS and associated equipment in accordance with OEM specifications and be liable for damage to this equipment resulting from intentional deviations to accepted power supply conditions.

2.2.2 Commissioning Services

The Airport Project Manager will be responsible for obtaining all other infrastructures not mentioned in Section 2.2.1 to support EDS operations and maintenance.

2.3 INTEGRATION SERVICES

The Airport Project Manager shall ensure that the BHS Contractor coordinates with EDS OEM in support of integration activities (e.g. installation and testing the required software and hardware to allow for digital and serial communication between the EDS and the BHS PLC) as needed. Terminations to the EDS for BHS PLC communication shall be performed by the BHS contractor.

2.4 NETWORKING

2.4.1. Network Infrastructure

The Airport Project Manager will design and install all communication conduit, fiber, etc. as required by the EDS OEM's design criteria for the EDS and EDS networking system, including but not limited to connectivity of the remote OSR Room, ETD/Resolution area, and Central baggage Control Room as required. Exact parameters will be reviewed at Project start-up by TSA OST

The Airport Project Manager will provide cabling and network patch panels in TSA control rooms, ETD search areas, and the TSA network room as determined by the network design conducted in conjunction with the Airport Project Manager. The EDS OEM shall provide required patch cables and miscellaneous hardware to interface between network patch panel and EDS OEM-supplied networking components. The Project Manager will provide all electrical outlets to support installation and operation of a fully multiplexed explosive detection system.

2.4.2. Network Services

No other network may interface with the networked airport screening solution. The implemented assigned network for operation shall be an isolated, stand-alone network.

2.5. Acceptance - TESTING SUPPORT

The project schedule shall allow for sufficient time to conduct mandatory testing of the EDS units after installation and integration. The project schedule shall also factor in minimum lead times for notification of readiness for testing (7 days for SAT; 3 days for TRR; and at least 3 business days for ISAT.) The Airport Project Manager shall identify operational windows in time in which testing activities can be accomplished. Testing activities will be scheduled for normal 8-hour business days (Monday-Friday) and should not include holidays unless previously agreed to.

2.5.1 Site Specific Test Plan (SSTP)

The Airport Project Manager shall ensure that information needed to develop an accurate SSTP is provided to TSA Test Lead at the earliest opportunity, but no later than 100 days prior to the requested testing date. Required documentation includes:

- The Site Planning Checklist
- BHS Specifications
- Controls Description and/or Description of Operation (if both exist then provide both)
- Fail-safe and/or E-Stop Zone Drawings
- BHS Drawings, Plan (with control stations and conveyor numbering) and Elevation Views
- Available CBIS Daily Reports shall be provided during ISAT testing and throughout the Run-In period. These reports should meet the requirements described in the EDS Appendix D1.
- Conveyor Motor Manifest

It may be necessary to supplement the above material with additional documentation, such as:

- Installation Phasing Plan Narrative and Phasing Plan Drawings
- Construction and Testing Schedule
- Sample CBIS Report that presents the status for bag arrivals at CBRA. Ideally, a break-out of all possible statuses presented for bag arrivals at CBRA will be provided in this report.

All drawings shall be clearly visible and readable when plotted on Arch D Size Stock. All documents shall be submitted electronically (e.g. text documents in MS Word or PDF and drawings in AutoCAD [dwg] or PDF.)

Any system constraints that will prevent compliance with TSA testing and performance criteria must be disclosed in writing to TSA as far in advance as possible to allow for evaluation of applicable waivers. Any restrictions on system availability and accessibility for testing shall be disclosed. Cutover plans including any phasing plans that will affect the Testing Contractor's ability to test the full system from ticket counters through the outbound/sortation system shall also be disclosed to allow for the development of an accurate SSTP. Cutover plans that will result in multiple testing phases shall also be presented to TSA in writing for review and approval in advance of the projected test start date.

The Airport Project Manager will have the opportunity to review and comment on SSTP in advance of testing. Comments and/or questions should be directed to the TSA Deployment Lead and the TSA Site Lead.

2.5.2. Test Readiness Report (TRR)

This pre-ISAT activity is conducted by TSA Site Lead in coordination with the Airport Project Team (typically the BHS Contractor.) The purpose of this testing activity is to assure TSA of site readiness for ISAT and is a precursor for TSA authorization for TSA Test Lead to deploy. The Airport Project Manager Team will be provided TRR data sheets by the TSA Site Lead. BHS/CBIS configuration and operation shall be in final form intended for bag screening operations. Unless mutually agreed to, changes/improvements to BHS/CBIS between TRR and ISAT are not authorized. The Airport Project Manager Team must address security and efficiency defects found during TRR and be prepared to implement mutually agreed upon corrective actions prior to ISAT.

Required input from the Airport Project Team will include:

Functional Testing Documentation: Testing authentication must be clearly reported and show every test with bag ID and declared status on printed EDS FDRs (Field Data Reports) and resulting bag destination. Ledger forms should show test date, type of test, identification of bag destination location, and ID number of the bags arriving at that location. Sample ledger forms will be provided in the SSTP.

- These reports should be organized and indexed in a loose-leaf binder(s)
- Each test shall conclude with an indication of successfully passing the required criteria of BHS specification and testing criteria and if conflict or failure exists, then so indicate with an explanation.
- Presentation of completed testing and TRR required documentation to TSA Site Lead not less than 7 business days prior to anticipated Pre-ISAT date is required.

System Mixed Bag Test and System Throughput Test Observation: Sufficient numbers of test bags (no less than 100 test bags per EDS) will be utilized to "stress" the BHS/CBIS as would occur during peak operating times. Test bag set profile should be similar to the Acceptance Testing Contractor's test bag profile.

- A real-time observation by TSA Site Lead of a global BHS/CBIS System Mixed Bag Test and System Throughput Test using clear and suspect bags is required.
- All EDS equipment must be operational.
- All baggage entry points must be utilized.

ISAT: The TSA Site Lead performs the TRR. If successful, a Test Readiness Notice is issued to TSA and the TSA Acceptance Testing Contractor for ISAT deployment. If delivered by COB Monday through Wednesday (5:00 p.m. EST), ISAT deployment will occur the following Monday. If delivered any time Thursday through Sunday, ISAT deployment will occur on the second Monday. If changes are made to the system following TRR without prior coordination with TSA, ISAT testing shall be postponed pending submission of documentation for review and evaluation by TSA and its Testing Contractor (see paragraph 2.5.7)

2.5.3. Logistical Support Needs: The Airport Project Manager shall identify any logistical or support needs that will impact TRR and ISAT testing, to include:

- any process needed to obtain sufficient baggage tags should the system use IATA baggage tracking mechanisms, or blank bag tags if the system does not use IATA baggage tracking mechanisms;
- any process needed to obtain sufficient baggage tubs/totes (typically 20 per installed EDS)
- any process needed to obtain airport badges/access for Acceptance Testing Contractor personnel; and/or personnel escorts
- availability of baggage handling support for testing activities; and
- availability of support for delivery and secure storage of Acceptance Testing Contractor test bags for ISAT (100 bags per EDS.)

2.5.4. ISAT Testing: Acceptance Testing Contractor will meet with the Airport Project Manager Team at least 30 days prior to testing to coordinate the conduct of ISAT testing. The TSA Test Lead and the Project Manager Team will finalize details relating to the scheduling and duration of the testing. (Generally allow 1.5 days per EDS line and 1.5 days per each system Sort Testing and Rate Testing.)

2.5.5. Test Results and Reports

In the event of a Defects Found or Failed result during TRR or ISAT testing, the Airport Project Manager Team shall report corrective actions to be applied and the timeline associated with said corrections. If constructed system fails testing, TSA will work with the Project Manager Team to identify corrective solutions. TSA is not obligated to accept or operate a baggage screening system that does not meet the minimum test standards.

2.5.6. Operational Run-In

The Run-In period will extend for a minimum of 30 days from the start of substantial operations with cutover of substantial input and output lines. This period of time shall be discussed and agreed to by all parties during the SSTP development process, and reconfirmed at the completion of the ISAT. This period shall also be dependent on resolution of deficiencies found during testing and Run-In. Once a week during the Run-In period, the Airport project authority or their authorized representatives shall forward electronic versions of all CBIS Daily Reports required by Appendix D1.23 of the PG&DS to the TSA OST designee. These reports will be supplied to TSA and their deployment and testing contractors. Additionally, a CBIS report that presents the status for bag arrivals at CBRA should be provided in support of Run-In period data collection, as was made available during ISAT testing. Statuses to be reported include at a minimum: Total Bags, Suspect, Clear, Unknown, No Decision/Pending Decision, Lost in Tracking, Oversize, and Out-of-Gauge Bags. Ideally, a break-out of all possible statuses presented for bag arrivals at CBRA will be provided in this report.

After receipt, review and analysis of at least 21 days of performance data, TSA and their Acceptance Testing contractor will deploy to the site to physically verify closure of open deficiencies, and observe system operation against the data reported. During this time, measurements of belt speeds for security tracking zone conveyors will be performed. These Run-In period measurements will be recorded and reported together with similar measurements made during mobilization for ISAT testing. Based on the data analysis and physical observations, a recommendation will be made to TSA via a Test Summary Report (TSR) to end the Run-In period, extend the Run-In period, and/or change the operational status of the CBIS.

2.5.7. Post Commissioning Activities:

The TSA Site lead will conduct 30-day operational run-in observations of the system following successful ISAT testing.

The Airport Project Manager shall provide a written response outlining corrective actions that will be taken due to outstanding deficiencies, issues, and action items identified in the Test Report within three (3) months.

It is essential for the continued secure and efficient operation of the CBIS that changes to the system are evaluated, reviewed and approved before they are implemented. Changes made to the system subsequent to ISAT must be coordinated and approved in advance with TSA Deployment Team and Engineering Support. Failure to do so will lead to TSA de-certification of the baggage screening system. In some cases the TSA Acceptance Testing Contractor will need to evaluate proposed changes to determine if they constitute modifications sufficient to warrant the development of a new SSTP and re-testing.

The following procedure is to be followed for all changes to CBIS systems other than those required for normal routine and periodic maintenance/repairs to the system. The airport/airline/authority responsible for the system shall assemble a package of information for submittal to TSA Office of Security Technology which includes the following minimum information.

- Written description of all physical and programming changes to the system
- Reason for proposed change
- Anticipated impact to system operations (i.e. increased throughput, lowered tracking losses, elimination of bag jams)
- Drawings showing affected areas
- Any potential security, tracking or efficiency impacts, including impact on manpower or operations
- Proposed date of changes
- Willingness of the airport or airline to pay for the changes to the system

This package shall be delivered to the local TSA FSD who shall review the package, adding any comments that he/she may have and forward the package to TSA Office of Security Technology.

The TSA Office of Security Technology will review the package. Once the review has been completed, the Office of Security Technology shall notify the airport/airline/authority and the local TSA FSD of the recommendations and testing requirements for the system changes.

In the event of termination or expiration of this Agreement, any TSA funds that have not been spent or incurred for allowable expenses prior to the date of termination and are not reasonably necessary to cover termination expenses will be returned and/or de-obligated from this Agreement.

TSA's liability to make payments to the CITY is limited to the amount of funds obligated and available for payment hereunder, including written modifications to this Agreement.

Under no circumstances will TSA be responsible to reimburse the CITY for profit or the general costs of government. The CITY may recover the allowable direct costs of the CITY personnel performing work necessary under this Agreement, as well as, the allowable and allocable costs of the Project Manager(s) and contractors hired by the CITY/Project Manager(s) to perform the necessary work under this Agreement. TSA will not be responsible for costs incurred by the CITY/Project Manager(s), its contractors or agents to perform work not in compliance with the TSA requirements in this Agreement. The TSA Contracting Officer has the right to recoup any payments made to the CITY if the TSA Contracting Officer determines that the invoices exceed the actual costs incurred, or if the work substantially deviates from the TSA approved design requirements for the Project pursuant to this Agreement.

TSA will reimburse only for allowable, allocable and reasonable costs in accordance with the OMB Circular No. A-87 in effect on the Effective Date of the Agreement (codified at 2 C.F.R. Part 225).

ARTICLE X - PAYMENT

The United States Coast Guard Center performs the payment function on behalf of the TSA. For purposes of submission to the Coast Guard Finance Center, the CITY must submit a completed Summary Invoice. Central Contractor Registration is mandatory for invoice payment; for information regarding the Central Contractor Registration, please refer to <http://www.ccr.gov>

Invoices for reimbursable expenses will be submitted approximately every three (3) months, as expenses are incurred. Expenses are considered to accrue on the date that the CITY/Project Manager pays its contractor, sub-contractor, supplier, or provider of services.

Reimbursement by TSA is conditioned upon submission to TSA of an invoice identifying the Project costs that have been incurred and paid. The TSA intends to make payment to the CITY within 45 days of receipt of each properly prepared invoice for reimbursement of incurred costs.

In the event that an invoice for reimbursable expenses is not received by the TSA within a twelve (12) month period, the TSA reserves the right to terminate the Agreement per Article XV "Termination." In the event the Agreement is terminated, expenses that have accrued subsequent to the termination may be ineligible for reimbursement.

The TSA reimbursement process consists of two steps.

Step 1 – Summary Invoice Submittal to the U.S. Coast Guard Finance Center for Payment, and at a minimum should contain the following information:

- (1) Agreement Number HSTS04-10-H-CT1022
- (2) Invoice Number and Invoice Date
- (3) Complete Business Name and Remittance Address
- (4) Point of Contact with address, telephone, fax and e-mail address
- (5) Tax Identification Number and DUN's Number
- (6) Dollar Amount of Reimbursement requested
- (7) Signature of the Airport's authorized representative and the following certification language: *"This is to certify that the services set forth herein were performed during the period state and that the incurred costs billed were actually expended for the Project."*

The Summary Invoice may be submitted by standard email or by electronic transmission to the following address(s):

Mailing Address: TSA Commercial Invoices
USCG Finance Center
P.O. Box 4111
Chesapeake, VA 23327

Email: FIN-SMB-TSAINVOICES@uscg.mil

Step 2 – Submission of Summary Invoice and Supporting Documentation
Submittal to TSA for Approval of Payment:

The TSA CO and the COTR are required to review and approve all invoices prior to payment. To aid in this review, the CITY/Project Manager(s) shall provide a copy of the Summary Invoice along with all receipts, contractor pay requests and other supporting information which specify the vendor, services provided, and products delivered as well as the appropriate identifications that the CITY/Project Manager(s) has paid these obligations. The CITY is encouraged to provide this supporting information simultaneously with Step 1 in order to expedite the payment process.

The Support Documentation should contain the following items:

- Summary Invoice from Step 1
- An executive summary project overview with the first invoice
- A summary spreadsheet providing a categorized breakdown of the amount invoiced.
- Spreadsheet with cost broken down per individual Terminal CBIS, detailing the invoices and amounts submitted, including identification of contractor/consultant, individual invoice numbers, amounts and costs and grand totals.

- Signed, approved and legible copies of each individual contractor's/consultant's invoice to include schedules of values (ie. AIA 702/03) or statements of work.
 - Copies of contracts over \$1 Million and change orders that provide support for the actual work being invoiced
 - Vendor and subcontractor invoices with specific details about services provided, as required
 - Sub-Consultant information showing employees name, rates of pay, dates and hours worked, as required.
 - Rationale for all allocations or unusual calculations or assumptions
 - Proof of delivery of the equipment to the project sponsor
- Copies of subcontractor's invoices if listed on a prime contractor's invoice as a single amount (copies of timesheets and detailed backup not required if descriptions are clear and specific).
- Proof of payment by the CITY/Project Manager(s) for each invoice in the form of copies of check/warrants, bank wire transfers, or accounting systems transactions

The Summary Invoice and supporting documentation may be submitted by mail via CD or paper documents or electronic transmission to the below address. The final closeout invoice should include proof that all required deliverables have been provided.

Peter McVey
 Transportation Security Administration
 Office of Security Technology, TSA-16
 1 West Post Office Road
 Ronald Reagan Washington National Airport
 Washington, DC 20001-6000
 Phone: 571-227-3842
 E-Mail: peter.McVey@dhs.gov

Upon completion of the review of the supporting documentation for the Summary Invoice, the TSA CO and COTR will advise the Coast Guard Finance Center regarding payment of the Summary Invoice.

ARTICLE XI - AUDITS

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

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

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

The CITY will be required to submit cost or pricing data and supporting information in connection with any invoice relating to this Agreement if requested by the TSA CO.

This Article XI shall not be construed to require the CITY/Project Manager(s) or its contractors or subcontractors to create or maintain any record that they do not maintain in the ordinary course of business pursuant to a provision of law, provided that those entities maintain records which conform to generally accepted accounting practices.

The CITY/Project Manager(s) shall insert a clause containing the terms of Article XI - Audits in all its contracts and subcontracts under this Agreement that exceed \$100,000.00 (One Hundred Thousand Dollars).

ARTICLE XII - REQUIRED FEDERAL PROCUREMENT PROVISIONS

1. The Catalog of Federal Domestic Assistance Number for this Project is 97.100. The CITY and/or its Project Manager(s) will comply with the single Audit reports as required by the Single Audit Act Amendments of 1996 and the Office of Management Budget, A-133 "Audits of States, Local Governments, and Nonprofit Organizations.
2. The CITY and/or its Project Manager(s) shall comply with the Title VI of the Civil Rights Act of 1964 relating to nondiscrimination. Additionally, Federal Acquisition Regulation Clause 52.203-11 "Certification and Disclosure Regarding Payments to Influence Certain Federal Transactions" is incorporated herein by reference into this Agreement. Contracts awarded by the CITY and/or its Project Manager(s) as a result of this Project must comply with Federal provisions established by laws and statutes.
3. Competition in the award of contracts or procurements resulting from this Project is strongly encouraged and the CITY and/or its Project Manager(s) should promote competition to the maximum extent practicable.
4. If the CITY directly enters into a construction contract for a Terminal CBIS under this Project, The CITY shall cause compliance in accordance with applicable law where work is covered by the Davis-Bacon Act, Federal Acquisition Regulation Clauses: 52.222-6, Davis-Bacon Act; 52.222-11, Subcontracts; and 52.222-13, Compliance with Davis-Bacon and Related Act Regulations.

5. The CITY/Project Manager(s) agree to include in its contract(s) a provision that the CBIS Terminal designs are required to comply with the TSA's PGDS.

6. Disadvantaged Business Enterprises Cost Report

Report funds paid to Disadvantaged, Women Owned or Minority Business Enterprise Contractors or Subcontractors with cumulative totals to date. The report is required to be submitted semiannually for the period ending March 31 and September 30. The reports are due thirty days after the close of each reporting period and are to address the allocation of TSA funded dollars for the Project provided to the Disadvantaged Business Enterprise Concerns during the fiscal year. The report shall be reported via email directly to:

U.S. Department of Homeland Security
Transportation Security Administration Office of Acquisitions TSA-25
Office of Small and Disadvantaged Business Utilization
Attn: Robert Boone
601 S. 12th Street
Arlington, VA 20598-6025
E-mail: Robert.Boone@dhs.gov

7. Environmental Planning and Historic Preservation Compliance

TSA is required to consider the potential impacts to the human and natural environment of projects proposed for TSA funding. TSA, through its Environmental Planning and Historic Preservation (EP&HP) Program, engages in a review process to ensure that TSA-funded activities comply with various Federal laws including: National Environmental Policy Act, National Historic Preservation Act, Endangered Species Act, and Executive Orders on Floodplains (11988), Wetlands (11990) and Environmental Justice (12898). The goal of these compliance requirements is to protect our nation's water, air, coastal, wildlife, agricultural, historical, and cultural resources, as well as to minimize potential adverse effects to children and low-income and minority populations.

The recipient shall provide any information requested by TSA to ensure compliance with applicable Federal EP&HP requirements. Any project with the potential to impact EP&HP resources cannot be initiated until TSA has completed its review. Recipient may be required to provide detailed information about the project, including the following: location (street address or map coordinates); description of the project including any associated ground disturbance work, extent of modification of existing structures, construction equipment to be used, staging areas, access roads, etc.; year the existing facility was built; natural, biological, and/or cultural resources present in the project vicinity; visual documentation such as site and facility photographs, project plans, maps, etc; and possible project alternatives.

For certain types of projects, TSA may be required to consult with other Federal and State agencies such as the U.S. Fish and Wildlife Service, State Historic Preservation Offices, and the U.S. Army Corps of Engineers, as well as other agencies and organizations responsible for protecting natural and cultural resources. For projects with the potential to have significant

adverse effects on the environment and/or historic properties, TSA's EP&HP review and consultation may result in a substantive agreement between the involved parties outlining how the recipient will avoid the effects, minimize the effects, or, if necessary, compensate for the effects.

Because of the potential for significant adverse effects to EP&HP resources or public controversy, some projects may require an additional assessment or report, such as an Environmental Assessment, Biological Assessment, archaeological survey, cultural resources report, wetlands delineation, or other document, as well as a public comment period. Recipients are responsible for the preparation of such documents, as well as for the implementation of any treatment or mitigation measures identified during the EP&HP review that are necessary to address potential adverse impacts. Recipients may use these funds toward the costs of preparing such documents and/or implementing treatment or mitigation measures. Failure of the recipient to meet Federal, State, and local EP&HP requirements, obtain applicable permits, and comply with any conditions that may be placed on the project as the result of TSA's EP&HP review may jeopardize continued Federal funding.

Recipient shall not undertake any portion of the proposed project having the potential to impact EP&HP resources without the prior approval of TSA, including but not limited to communications towers, physical security enhancements, new construction, and modifications to buildings, structures and objects that are 50 years old or greater. Recipient must comply with all conditions placed on the project as the result of the EP&HP review. Any change to the approved project scope of work will require re-evaluation for compliance with these EP&HP requirements. If ground disturbing activities occur during project implementation, the recipient must ensure monitoring of ground disturbance, and if any potential archeological resources are discovered, the recipient will immediately cease construction in that area and notify TSA and the appropriate State Historic Preservation Office.

ARTICLE XIII - CHANGES AND/OR MODIFICATIONS

Changes and modifications to this Agreement shall be in writing and signed by the TSA CO and duly executed by the CITY. Any modification shall cite this Agreement and shall state the exact nature of the change and/or modification. No oral statement by any person shall be interpreted as modifying or otherwise affecting the terms of this Agreement. The properly signed modification shall be attached to this Agreement and thereby become a part of this Agreement.

ARTICLE XIV - DISPUTES

When possible, disputes will be resolved by informal discussion between the parties. All disputes arising under or related to this Agreement shall be resolved under this Article. Disputes, as used in this Agreement, mean a written demand or written assertion by one of the parties seeking, as a matter of right, the adjustment or interpretation of Agreement terms, or other relief arising under this Agreement. The dispute shall be made in writing and signed by a duly authorized representative of the CITY or the TSA. At a minimum, a dispute under this Agreement shall include a statement of facts, adequate supporting data, and a request for relief. In the event that the parties are unable to resolve any disagreement through good faith negotiations, the dispute will be resolved by the TSA Assistant Secretary or his or her designee.

The parties agree that the TSA Assistant Secretary's decision shall be final and not subject to further judicial or administrative review and shall be enforceable and binding upon the parties.

ARTICLE XV - TERMINATION

In addition to any other termination rights provided by this Agreement, either party may terminate this Agreement at any time prior to its expiration date, with or without cause, and without incurring any liability or obligation to the terminated party (other than payment of amounts due and performance of obligations accrued, in each case on or prior to the termination date) by giving the other party at least thirty (30) days prior written notice of termination. Upon receipt of a notice of termination, the receiving party shall take immediate steps to stop the accrual of any additional TSA obligations that might require payment.

ARTICLE XVI - CONSTRUCTION OF THE AGREEMENT

This Agreement is an "other transaction" issued under 49 U.S.C. § 106(l) and 114(m)(1) and is not a procurement contract, grant or cooperative agreement. Nothing in this Agreement shall be construed as incorporating by reference or implication any provision of Federal acquisition law or regulation. It is not intended to be, nor shall it be construed as creation of a partnership, corporation, or other business entity between the parties.

Each party acknowledges that all parties hereto participated equally in the negotiation and drafting of this Agreement and any amendments thereto, and that, accordingly, this Agreement shall not be construed more stringently against one party than against the other.

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties.

In the event that any Article and/or parts of this Agreement are determined to be void or otherwise invalid or unenforceable, such Article or portions thereof shall lapse. No such lapse will affect the rights, responsibilities, and obligations of the parties under this Agreement, except as provided therein. If either party determines that such lapse has or may have a material effect on the performance of the Agreement, such party shall promptly notify the other party, and shall negotiate in good faith a mutually acceptable amendment to the Agreement if appropriate to address the effect of the lapse.

ARTICLE XVII - PROTECTION OF INFORMATION

The parties agree that they shall take appropriate measures to protect all proprietary, privileged, confidential, or otherwise Sensitive Security Information (SSI) that may come into their possession as a result of this Agreement.

A. RELEASE OF TECHNICAL DATA

No Sensitive Security Information (SSI), as defined in 49 CFR Parts 15 and 1520, concerning the scope of this Agreement, shall be published or released to the public without prior written

approval of the TSA Assistant Secretary or his or her designee.

B. RECORDS AND RELEASE OF INFORMATION

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

C. MEDIA

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

ARTICLE XVIII - SURVIVAL OF PROVISIONS

The following provision of this Agreement shall survive the termination of this Agreement: Article V – Project Responsibilities, paragraph C; Article XI – Audits; Article XIV – Disputes, Article XVII – Protection of Information and Article XVIII – Survival of Provisions.

IN WITNESS WHEREOF, the Parties have entered into this Agreement by their duly authorized officers this 4th day of February, 2009 ²⁰¹⁰ _{CV}

U. S. Department of Homeland Security
Transportation Security Administration

Connie Thornton
Connie Thornton
TSA Contracting Officer

2/4/2010
Date

The City of Los Angeles

By: Gina Marie Lindsey
Gina Marie Lindsey
Executive Director, LAWA

2/1/10
Date

By: Wei Chi
Wei Chi
Deputy Executive Director
Comptroller

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

By: Brian Ostler
Deputy/Assistant City Attorney

BRIAN OSTLER
Name

1/27/10
Date

Copy to:
Office of Security Technology
Federal Security Director

APPENDIX A

U.S. Department of Homeland Security
401 South Capitol Street
Arlington, VA 22204



Transportation
Security
Administration

LETTER OF INTENT
CITY OF LOS ANGELES

This Letter of Intent (LOI) sets forth the intention of the Transportation Security Administration (TSA), effective this date, in accordance with the provisions of Section 44723 of Title 42, United States Code, as amended; Division E, Department of Homeland Security Appropriations Act, 2008; Public Law 110-161, the Consolidated Appropriations Act, 2008; and Memorandum of Agreement ("MOA") to which this LOI will be appended, to obligate from future budget authority to reimburse the City of Los Angeles (the "City") for the United States' share of allowable costs at the Los Angeles International Airport ("LAX") for the airport baggage screening security improvement project (Project) as summarized below:

The MOA will establish the efforts for providing the necessary design, construction management, and construction of LAX Terminals 1, 2, 4, 6, 7 and 8 to develop in-line baggage system solutions that will enable TSA to install and operate explosive detection systems associated with in-line baggage screening systems at these Terminals.

The maximum United States obligation pursuant to this LOI for the Project summarized above shall be in an amount not to exceed 90 percent of the total Project costs of \$166,666,700 to a total Federal share of up to \$150,000,000. After funds have been appropriated and obligated, TSA shall issue funds to reimburse the City from fiscal year (FY) 2010 and 2011 budget authority, according to the following schedule:

Fiscal Year	Federal Funds
FY 2010	\$100 million
FY 2011	\$50 million (future budget authority)
Total	\$150 million

If the Congressional appropriation and allocation is less than \$50,000,000 in FY 2011 for TSA baggage screening projects for the LAX Terminals, then the FY2011 funding increments for the Project may be reduced accordingly.


The announcement of this intention shall not be deemed an obligation of the United States Government under Section 1501 of title 31, United States Code, and the LOI is not deemed to be an administrative commitment of financing. An obligation or administrative commitment may be made only as amounts are provided in authorization and appropriation laws.

TSA may, from time-to-time, following consultation with the City, amend this LOI and the MOA to adjust the payment schedule, and such adjustments may be made by TSA when occasioned by changes in the actual allowable costs of the Project, in the actual time required to complete the Project, in actual or estimated future obligating authority, or otherwise, when determined at the discretion of the Department of Homeland Security Assistant Secretary of TSA, to be in the best interests of the United States.

TSA will give full consideration to the aggregate amount of future obligations and the payments scheduled under all outstanding LOIs in formulating its annual budget requests. A statutory restriction on total obligating authority in a future fiscal year, however, may necessitate a reduction in funds to be disbursed for that year.

The LOI is conditioned upon the City's compliance with the MOA to which this LOI is appended and of which it is made a part. Failure to comply with such requirements may lead to revocation of this LOI and termination of the MOA in accordance with the terms of the MOA.

United States of America
Department of Homeland Security
Transportation Security Administration


Otto D. Rosales
Acting Assistant Secretary

DEC 14 2009
Date

**Memorandum of Agreement
Between
Transportation Security Administration (TSA) and
The City of Los Angeles
Terminal 1, 2, 4, 6, 7 and 8 Checked Baggage Inspection System
Los Angeles International CITY/
Appendix B - TSA Acceptance Testing Requirements**

Scope: TSA support for the Checked Baggage Inspection System (CBIS) solution for the Airport's In-line Baggage Screening System will encompass design and modification of existing Baggage Handling Systems to support a matrix of EDS machines. TSA will further support this project with the installation, start-up and commissioning, integration and testing of EDS machines and relevant ancillary equipment.

A. TSA responsibilities with regard to the Project are listed below in sections 1.1 to 1.7 listed below. Many responsibilities are delegated to TSA contractors such as the EDS Original Equipment (OEM) Manufacturer, TSA Site Lead Contractor, and TSA Acceptance Test Contractor but ultimate responsibility resides with TSA.

1.1 EDS PLACEMENT

The design, engineering and/or construction-related services to provide for the TSA Checked Baggage Inspection System (CBIS) solution at Terminals, 1, 2, 4, 6, 7, and 8.

1.2 INSTALLATION SUPPORT

1.2.1 Project Management

The EDS OEM shall be responsible for providing technical support throughout the entire period of performance during the installation project. The OEM shall be responsible for all labor, materials, equipment, and support services required for planning, managing, and supervising all items related to the installation of the EDS units and associated ancillary equipment.

1.2.2 Technical Support

TSA will provide technical support to the project through existing TSA contracts with the EDS OEM, TSA Site Lead, and TSA Test Lead.

- The identified TSA Site Lead should be included in all relevant planning/project meetings relevant to TSA contributions to the Project. Project schedules and updates should be provided to the TSA Site Lead to ensure TSA has timely and sufficient notice of deliverable dates.
- The EDS OEM shall provide technical consultations to the TSA Project Manager and CITY/Project Manager(s) regarding project efforts that may include, but are not limited to: teleconferences; reviews of drawings and specifications; and exchanges of technical documentation such as specifications, manuals, and guides.

- TSA Test Lead shall support testing of the EDS units and their integration with the BHS and will develop relevant test plans and reports that will be shared with the CITY/Project Manager.
- Support for the development and execution of the MOA/LOI in place between TSA and the CITY will be provided by TSA Office of Acquisition.
- Oversight and coordination of technical aspects of the project will be provided by the TSA Deployment Team.
- Local TSA personnel shall support coordination of issues between TSA HQ and the CITY/Project Manager(s) as directed by the Federal Security Director (FSD).

Title	Name	Contact Information
TSA Deployment Lead	Peter McVey	Peter.McVey@dhs.gov 571-227-3842
TSA Test Lead	Amy Becke	Amy.Becke@dhs.gov 571-227-1261
TSA Office of Acquisition	Connie Thornton	Connie.Thornton@dhs.gov 605-393-8191
TSA FSD Point of Contact	Ron Olguin	Ron.Olguin 310-242-2325
TSA Contracted Site Lead	Larry Butler	Larry_butler@urscorp.com 206-438-2048
TSA Contracted EDS Lead	Name	Email Telephone
CITY Point of Contact	Mark Vlcek	mvlcek@lawva.org (310) 577-3420

1.2.3 Commissioning Services

TSA, through the EDS OEM and its other TSA contractors, shall be responsible for all labor, materials, equipment, and support services needed to assemble, power up, configure, and install the EDS machines into the required operational condition. The EDS OEM shall provide technical support, documentation, and installation of the EDS units and the associated local Baggage Viewing Stations (BVS) after confirmation that all pre-installation requirements have been met. The EDS OEM shall coordinate with the TSA Project Manager/TSA Site Lead, TSA Test Lead, and the CITY's/Project Manager's contractors to perform system testing.

1.3 Acceptance Testing

Mandatory testing for this system includes Site Acceptance Testing (SAT) for the EDS units following installation; pre-Integrated Site Acceptance Testing following the integration of the EDS units with the BHS affirmed through a Test Readiness Report (TRR); and Integrated Site Acceptance Testing (ISAT) prior to TSA acceptance of the system for operational use for each Terminal CBIS. See table below for minimum lead time requirements for testing activities.

Lead Times for ISAT Days Prior to projected test date	Activity	Responsible Parties
Site Initiation	Site Planning Checklist delivered to the CITY/Project Manager Sponsor to complete to support ISAT Site Specific Test Plan (SSTP) development.	TSA Deployment Lead, TSA Site Lead
≥100 days	<p>Completed Site Planning Checklist and other required site documentation received by TSA. Acceptance Testing contractor from Site Lead, to include</p> <ul style="list-style-type: none"> • BHS Specifications • Controls Description and/or Description of Operation (if both exist then provide both) • Fail-safe and/or E-Stop Zone Drawings • BHS Drawings, Plan View(s) (with control stations and conveyor numbering) and Elevation View(s) • Available CBIS Daily Reports shall be provided during ISAT testing and throughout the Run-In period. These reports should meet the requirements described in PGDS Appendix D1 of the PGDS. • Conveyor Motor Manifest <p>It may be necessary to supplement the above material with additional documentation, such as:</p> <ul style="list-style-type: none"> • Installation Phasing Plan Narrative and Phasing Plan Drawings • Construction and Testing Schedule(s) • Sample CBIS Report that presents the status of bag arrivals at CBRA. Ideally, a break-out of all possible statuses presented for bag arrivals at CBRA will be provided in this report. 	CITY Project Team, TSA Site Lead
≥90 days	On-site Site Survey Meeting held to assist in preparation of the SSTP and to conduct initial test coordination. This visit will allow the TSA Acceptance Testing Contractor to tour the site, review the completed Site Planning	CITY/Project Team, TSA Deployment Lead, TSA Site Lead, TSA Acceptance Testing

	Checklist with the Project Team, and initiate the SIDA badge application process, if required. TSA Site Lead coordinates schedule with Project Team and TSA's Acceptance Testing Contractor.	Contractor
90 to 60 days	SSTP is developed by the Acceptance Testing Contractor and a draft is submitted to TSA OST.	TSA Acceptance Testing Contractor
60 to 45 days	TSA submits feedback for the draft SSTP to Acceptance Testing contractor.	TSA Deployment Lead
≥45 days	SSTP is revised, based on TSA OST feedback, and is delivered to the Project Team	TSA Site Lead, TSA Acceptance Testing Contractor, CITY/Project Team
45 to 30 days	SSTP is revised, based on Project Team review, and final version is submitted to TSA OST and Project Team.	TSA Acceptance Testing Contractor
≥30 days.	Test coordination meeting between TSA Site Lead, TSA Acceptance Testing Contractor, and CITY/Project team to review the final SSTP, coordinate logistics & manpower, and to review the TRR process and specific tests to be performed. <u>Any requests for deviation from the SSTP testing requirements must be delivered in writing to the TSA prior to this meeting for review and response.</u> This is last chance for Project Team to disclose any test standards that cannot be met in writing and formally justify exemption from said test criteria. Final revisions to the SSTP will be made, including the incorporation of exemptions approved by TSA Deployment, if applicable.	CITY/Project Team, TSA Deployment Lead, TSA Site Lead, TSA Acceptance Testing Contractor
Typically 14 days to 1 day	TSA Acceptance Testing contractor will ship test articles. CITY/Project Team receives test articles and stores as appropriate.	CITY/Project Team, TSA Acceptance Testing Contractor
≥11 business days	CITY/Project Team delivers internal pre-ISAT test results to Site and TRR readiness confirmation letter to the TSA Deployment Contractor's Commissioning Lead. Upon successful review, the TSA Site/TRR Lead is deployed to the site within 7 days.	CITY/Project Team, TSA Site Lead
≥7 business days	TSA Site Lead performs the TRR.	CITY/Project Team, TSA Site Lead

≥3 business days	When notice of successful TRR is provided no later than COB Wednesday (5:00 p.m. EST), ISAT deployment will occur the following Monday. If delivered any time Thursday through Sunday, TSA test team deployment will occur on the second Monday.	CITY/Project Team, TSA Site Lead, TSA Acceptance Testing Contractor
2 business days	Acceptance Testing Contractor travel day (normally Monday)	TSA Acceptance Testing Contractor
1 to 0 business days	TSA Acceptance Testing Contractor mobilization activities (normally Tuesday). Activities will include an In-brief meeting for all stakeholders.	CITY/Project Team, TSA Acceptance Testing Contractor
Test start	Normally Tuesday or Wednesday. TSA Acceptance Testing Contractor will accept PLC code from TSA Site Lead or CITY/Project Team at the time of testing. The TSA Acceptance Testing Contractor will collect BHS conveyor details for specific sections of the CBIS. Prior to departing the site, an Out-brief meeting will be held for all site stakeholders.	CITY/Project Team, TSA Acceptance Testing Contractor, TSA Site Lead
≤1 business day after ISAT data analysis is complete	QLR is submitted by the TSA Acceptance Testing Contractor to TSA.	TSA Acceptance Testing Contractor, TSA Deployment Lead
TSA OST discretion	Following TSA QLR review and approval for live operations, substantial use live operations (run-in) may begin. The TSA Acceptance Testing contractor will collect daily CBIS reports from the CITY/Project Team at one-week intervals, as previously coordinated.	CITY/Project Team, TSA Acceptance Testing Contractor, TSA Deployment Lead
Typically ≥28 days or more from start of substantial use	The TSA Acceptance Testing contractor remotely monitors system performance during the substantial use live operations run-in period and analyzes at least 21 days of run-in data received from CITY/Project Team.	CITY/Project Team, TSA Acceptance Testing Contractor
3 to 5 business days following completion of 21 days of run-in data analysis	The TSA Acceptance Testing contractor observes system operation on-site and collects any necessary remaining data to analyze a minimum of 30 days of run-in data. In addition, PLC code is collected from TSA Site Lead or CITY/Project Team. The TSA Acceptance Testing contractor will also collect BHS conveyor details for specific sections of the CBIS.	CITY/Project Team, TSA Acceptance Testing Contractor, TSA Site Lead

Board File
No. LA-8520



MEMORANDUM OF AGREEMENT

BETWEEN

**DEPARTMENT OF HOMELAND SECURITY
TRANSPORTATION SECURITY ADMINISTRATION**

AND

THE CITY OF LOS ANGELES

RELATING TO

**LOS ANGELES INTERNATIONAL AIRPORT
TERMINALS 1, 2, 4, 6, 7 and 8 CHECKED BAGGAGE SCREENING PROJECT**

Negotiated by the TSA pursuant to
Aviation and Transportation Security Act, Pub. L. 107-71, 115 Stat. 597
49 U.S.C. §114(m)(1) and 106(l)(6)
Section 44923 of Title 49, U.S.C.

HSTS04-10-H-CT1022

SCHEDULE 1 - C

ARTICLE I - PARTIES

The parties to this Memorandum of Agreement (Agreement) are the Transportation Security Administration (TSA), U.S. Department of Homeland Security (DHS), and the City of Los Angeles acting by and through its Board of Airport Commissioners (hereinafter CITY) relating to the Los Angeles International Airport (LAX or Airport). The TSA and the CITY agree to cooperate in good faith and to perform their respective obligations in executing the purpose of this Agreement.

ARTICLE II - LEGAL AUTHORITY

In support of the Fiscal Year 2009 Electronic Baggage Screening Program Budget, this Agreement is entered into under the authority of the Aviation and Transportation Security Act, Pub. L. 107-71, 115 Stat. 597, specifically 49 U.S.C. § 114(m)(1) and 106(l)(6), which authorizes other transaction agreements. Section 44923 of Title 49 U.S.C., as amended: Division E, Department of Homeland Security Appropriations Act, 2008, 2008: Public Law 110-161, the Consolidated Appropriations Act, 2009. The CITY enters into this Agreement under the authority of Los Angeles City Charter sections 101 and 630 et seq.

ARTICLE III - SCOPE

The purpose of this Agreement is to set forth the terms and conditions, as well as, establish the respective cost-sharing obligations and other responsibilities of the TSA and the CITY with respect to design, engineering and construction related services to provide for the Terminals 1, 2, 4, 6, 7 and 8 in-line Checked Baggage Inspection System (CBIS) solutions in accordance with the latest published TSA Planning Guidelines and Design Standards (PGDS).

This Project involves modifications to be made to Airport Terminal infrastructure and the baggage conveyor system in order to install an in-line CBIS solutions at LAX Terminals 1, 2, 4, 6, 7 and 8 (hereinafter referred to as the Project). The CBIS design and the construction need to address changes required to baggage conveyor components, mechanical, plumbing, electrical, structural, telecommunications infrastructure to allow for the installation of Explosive Detection System (EDS) machines within the baggage screening matrix, build out of Checked Baggage Resolution Area (CBRA), remote multiplexed On Screen Resolution (OSR) Room, CBIS control room, as necessary, as well as the installation of hardware and software for use with an in-line baggage screening application for each Terminal facility.

The Project will occur substantially in terminal premises owned by the CITY and leased to or used by various airlines pursuant to LAX Leases or Tariffs. The CITY expects that any additional areas that may be necessary to implement the Project will either be leased to airline tenants ("Airline Tenants") or be made part of the Exclusive Use Space used by airlines using terminal space pursuant to the LAX Tariff ("Tariff Users"). Airline Tenants or Tariff Users will be required by the CITY to perform the project or cause the Project to be performed. Each Airline Tenant and Tariff User (hereinafter sometimes referred to as Project Manager) will manage the Project with oversight administered by the CITY. The CITY's participation is necessary to make this Project a success.

ARTICLE IV - COST SHARING AND OTHER RESPONSIBILITIES

1. **Capital Costs:** The estimated cost of the Project relates to the activities to be completed by the CITY and/or its respective Project Managers (CITY/Project Manager) to modify the airport building, infrastructure and the baggage handling system (BHS) to support the installation and operation of the EDS and Explosive Trace Detection (ETD) equipment. It does not include the costs of acquisition, delivery or installation of the EDS and ETD equipment itself. TSA will be solely responsible for the acquisition, delivery, installation and testing of the EDS and ETD equipment at the designated location(s). All work performed by the CITY and its respective Project Managers pursuant to this Agreement shall be accomplished in accordance with the design(s) endorsed by TSA in accordance with the TSA PGDS, the City of Los Angeles Department of Building and Safety and with the CITY's Airport Building Standards and Criteria.

2. The estimated cost of the Project for the airport building modifications is \$166,667,000. TSA agrees to reimburse the CITY for ninety percent (90%) of the allowable, allocable and reasonable costs of the Project including design and construction management in addition to construction costs but not to exceed a total reimbursement of \$150,000,000. TSA reimburses ninety cents for every dollar submitted by the CITY for reimbursement of allowable, allocable and reasonable costs up to the TSA funded amount of \$150,000,000.

3. TSA will determine allowable and allocable costs in accordance with the OMB Circular A-87 "Cost Principles for State, Local and Indian Tribal Governments" codified at 2 C.F.R. Part 225 (together with Appendices A - D) in effect upon the signing of this Agreement by both parties, unless otherwise agreed by the TSA in a modification in accordance with Article XIII - Changes and/or Modifications. If, and to the extent funds are appropriated and obligated, TSA will reimburse the CITY on an actual expense basis supported by invoices submitted by the CITY in accordance with Article X - Payment. The parties understand and agree that all costs in excess of \$150,000,000, as well as any costs that are inconsistent with OMB A-87 shall be borne solely by the CITY and/or its Project Managers unless otherwise agreed by the TSA in a modification in accordance with Article XIII - Changes and/or Modifications. Should the TSA contributions of \$150,000,000 represent more than ninety percent of the total final allowable and allocable, and reasonable costs the CITY will refund the TSA for the difference to achieve a ninety percent level.

4. The CBIS Project costs which TSA will reimburse is limited specifically to those costs associated with the CBIS (defined as that area from the existing baggage insertion point into the EDS screening matrix to the points where screened baggage is re-inserted into the existing baggage makeup area), the On Screen Resolution (OSR) room, the Checked Baggage Resolution Area(s) (CBRA), and the EDS network equipment room as required for each Terminal.

A. CBIS Project costs considered reimbursable under this Agreement include:

- **Design Costs:** The ceiling for reimbursement of design costs is limited to 8% of the initial Project cost.

- Program Management: The ceiling for reimbursement of these costs is limited to 4% of the initial Project cost.
- Terminal CBIS Construction Costs including but are not limited to:
 - Demolition (Terminal infrastructure and/or related baggage handling system)
 - BHS infrastructure upgrades, platforms, catwalks located within the EDS screening matrix area.
 - BHS: The BHS portion located within the EDS screening matrix area, including redesign, and upgrading of conveyors to support the integration of the screening matrix.
 - Conveyor redesign and upgrade within the EDS screening areas.
 - Build out of the OSR Room, CBRA(s) and EDS network equipment rooms and necessary space for the CBIS.
 - Acoustical treatment and basic furnishings in the OSR and CBRA rooms.
 - Heating, Ventilation, Air Conditioning (HVAC) to maintain equipment and employee environmental requirements for CBIS, OSR, CBRA and EDS network equipment rooms, including pre-action fire sprinkler systems for areas housing critical TSA CBIS equipment.
 - Electrical and communications infrastructure (cabling, control panels) and basic lighting fixtures for the CBIS, CBRA and OSR.
 - Utility and infrastructure relocation and/or replacement necessary to build out and construct the CBIS, CBRA and OSR rooms
 - Telephone/pager/intercom systems for TSA CBRA, EDS screening area, EDS network equipment room and OSR only
 - Basic architectural finishes
- For projects currently in design or construction, TSA will consider design and construction modifications as agreed between the TSA and CITY required to make the CBIS compliant with the TSA PGDS on a case-by-case basis.

B. Costs not considered reimbursable include (listing is not all inclusive):

- Terminal Building Shell not required for the installation of the CBIS improvement.
- BHS modifications or upgrades upstream of or downstream of the EDS screening matrix areas not required for the installation of the CBIS improvement.
- Baggage make-up carousels or outbound sortation systems not required as the result of the installation of the CBIS improvement
- Maintenance, repair parts or spare parts (other than spare parts which are initially provided by the Original Equipment Manufacturer during the installation of new equipment) for airport terminal improvements including the baggage handling conveyor components installed under this Project
- Manual encoding consoles or stations not required as a result of the installation of the CBIS improvement
- Employee break rooms, administrative office space and restrooms not intended for the sole use of TSA staff.
- Aesthetic architectural enhancements
- Extended warranties beyond one (1) year.

5. Change Orders shall not be considered authorization to exceed the TSA funding provided for the Project, unless otherwise agreed by the TSA in a modification in accordance with Article XIII - Changes and/or Modifications. The CITY and/or Project Manager shall submit construction Change Orders for review and concurrence to the TSA.

6. The CITY shall notify the TSA Contracting Officer, and the TSA Contracting Officer's Representative, in writing whenever it has reason to believe that the costs the CITY/Project Manager expects to incur under this contract in the next 120 days when added to all costs previously incurred, will exceed ninety (90%) percent of the TSA funding. As part of the notification, the CITY shall provide the TSA Contracting Officer, and the TSA Contracting Officer's Representative, a revised estimate of the total cost of performing this Agreement.

ARTICLE V: PROJECT RESPONSIBILITIES

The primary Project responsibilities of the TSA and the CITY are outlined below. The Project will be overseen by the CITY. The CITY intends to enter into its own written agreements with various Airline Tenants and Tariff Users pursuant to which the management and performance of the portion of the Project located within such Airline Tenant's leasehold or Tariff User's Occupied Terminal Area will be delegated to such Airline Tenant or Tariff User, respectively, as Project Manager, in its role as lessee or Tariff User of the terminal premises. The City's agreement will require that the Project Manager (i) procure the services of a design consultant and/or construction contractors to undertake the Project, (ii) assume costs incurred over the funding covered by the TSA under this Agreement, and (iii) agree to all Project Manager responsibilities and related obligations described herein. To facilitate the integration of the EDS screening equipment into the BHS as well as monitor overall performance of the Project, Primary Responsibilities for TSA and the CITY/Project Manager are outlined below. In addition to primary Project Responsibilities, specific technical responsibilities for the two parties are contained in Appendix B, attached hereto and incorporated by reference into this Agreement.

A. TSA Responsibilities

1. Review and endorse the CBIS Terminal designs, plans, and specifications at the 30%, 70% and 100% design phases for the installation of the CBIS-based upon the recommendations and guidelines in the TSA PGDS.
2. Provide the TSA's PGDS, as well as the EDS equipment specification(s) as required.
3. Advise and confirm the type of EDS equipment to be provided at each submission stage of the design.
4. Approve the placement and installation of the EDS and ETD units in the baggage screening matrix and CBRA in accordance with each Terminal design and deployment plan.
5. Furnish, deliver, rig, install and test the EDS and ETD equipment.
6. Provide EDS Original Equipment Manufacturer Technical Support Advisory Services to the CITY/Project Manager for each Terminal CBIS regarding integration of the EDS units into the BHS.
7. Provide the EDS System Specific Test Plan (SSTP) for each Terminal CBIS to the CITY/Project Manager following an EDS machine commissioning coordination and

test planning meeting. See Appendix B.

8. Establish and conduct the Integrated Site Acceptance Testing (ISAT) for EDS machine screening capabilities for each Terminal CBIS.
9. Observe and approve ISAT results before the EDS equipment is certified as ready for operational use for each Terminal CBIS.
10. Provide training for Transportation Security Officer personnel on the EDS equipment.
11. Review and consider requested changes to the design and associated costs as identified in Article XIII.
12. Provide maintenance, repair, and refurbishment to all TSA EDS and ETD equipment throughout its life cycle at no cost to the CITY.

B. CITY/Project Manager(s) Responsibilities

1. Except for the responsibilities of the TSA, as outlined above, the design, construction and installation of each Terminal CBIS for the Project will be managed and overseen by the CITY and/or its designated Project Manager. The CITY/Project Manager, acting through such contractors as it may engage, will provide the engineering and design services, as well as the associated construction and baggage handling system contractors, necessary for successful completion of each Terminal CBIS for the Project. The CITY/Program Managers will provide oversight of such contractor(s) to ensure the Project conforms to the TSA endorsed design and is completed within the prescribed costs and schedule identified.
2. Ensure CBIS site preparation for each Terminal CBIS includes, but is not limited to, BHS modifications, environmental controls, and any other airport terminal infrastructure work required supporting the EDS and ETD operational environment. CBIS designs and construction should be OSHA compliant, as well as, adhere to the applicable EDS and ETD installation guide specifications. CBIS design and construction for each Terminal should comply with all applicable Federal, State, and local regulations. Design provisions will allow TSA and its contractors full ingress to and egress from the CBIS area for the installation, operation, testing, maintenance, and repair of the EDS and ETD equipment.
3. Obtain all necessary licenses, insurance, permits and approvals.
4. Ensure the Project site will be ready to accommodate the installation of the EDS units when delivered. Project site preparation includes, but is not limited to, BHS modifications, mechanical, heating, electrical site preparation, including infrastructure to protect electrical or fiber optic cables, environmental controls, and any other airport terminal infrastructure work required to support the operational environment of the EDS and ETD units.
5. Facilitate the installation of the EDS units by providing a clear path during rigging and EDS installation and provide sufficient space to allow for initial deployment activities (such as uncrating the device).
6. Provide three (3) feet of maintenance access space around the equipment pursuant to the EDS Manufacturers guidelines and the approved CBIS designs so that spare parts may be removed and replaced.
7. Once installed, provide reasonable measures to protect the EDS and ETD equipment from harm, theft, and water intrusion in the screening area.

8. Prior to TSA Site Acceptance Testing, it shall be CITY's/Project Manager's responsibility to protect and insure the EDS equipment from damage due to ongoing construction, weather, or other unforeseen circumstances.
9. Perform and bear all cost of the operation, maintenance and repairs for the airport terminal installed property such as the baggage handling conveyor system, including the conveyors in the baggage screening matrix, heating, air conditioning, and electrical infrastructure in support of this Project.
10. Submit monthly milestone and project progress status reports by the 10th of each month to the TSA Project Manager, TSA Contracted Site Lead, and TSA Contracting Officer. Specific requirements for the content of the monthly project status report are identified in Appendix D.

C. Operation and Maintenance Costs

It is understood and agreed that the EDS and ETD security screening equipment are and will at all times remain the property of the TSA. TSA will maintain, repair, and refurbish the EDS and ETD units at no cost to the CITY/Project Manager. In the event that EDS and ETD security screening equipment reaches the end of its life cycle, or is no longer being used for any other reason, the TSA will provide for the removal and disposition of the equipment at no cost to the CITY/Project Manager subject to the availability of funding. No legal liability on the part of the TSA for any payment may arise for performance under this Agreement unless and until funds are appropriated for this disposal activity. In the event funds are not available for the removal or disposal of the EDS security equipment at the end of its life cycle, the TSA will leave the equipment in place as non functioning units to allow the BHS to continue to operate.

Except for the EDS and ETD security screening equipment owned by the TSA and separately provided for use at the Airport, the CITY/Project Manager shall own and have title to all airport terminal building improvements made in accordance with this Agreement such as heating, ventilation, air conditioning, electrical infrastructure, baggage handling conveyor systems and controls, or other assets which are acquired and installed under this Agreement in support of this Project. It will remain the responsibility of the CITY/Project Manager, its contractors or lessees acting through such agents as it may use, to maintain, repair and or replace such airport property to sustain the operational environment of the EDS and ETD security screening equipment. Title to all airport terminal building improvements that were purchased or reimbursed using Federal funds for this Project shall become the property of the CITY/Project Manager, whether purchased with TSA or CITY/Project Manager funds.

The TSA's obligations to operate and maintain the EDS and ETD equipment arise pursuant to Federal law and shall survive termination of this Agreement, but be contingent upon the continued legislative mandate. The responsibilities of the TSA and the CITY relating to the ultimate disposition of the EDS equipment shall also survive termination of this Agreement.

D. Deliverables

Appendix A identifies Deliverables relating to the acceptance testing. Appendix D identifies other required deliverables to be submitted by the CITY/Project Manager for each Terminal CBIS.

ARTICLE VI - EFFECTIVE DATE AND TERM

The effective date of this Agreement is the date on which it is signed by the TSA or the CITY, whichever is later. Project completion is currently estimated to be on or about December 31, 2013 unless earlier terminated by the parties pursuant to Article XV as provided herein or extended by mutual agreement pursuant to Article XIII. The period of performance for this effort is established as sixty (60) months in order to allow the CITY time to submit a final invoice, close out the Project, and address any other issues. The CITY/Project Manager agrees to work with TSA to close this MOA/LOI within twelve (12) months of completion of construction and successful ISAT acceptance testing of the EDS system for the last completed CBIS Terminal.

The CITY/Project Managers will establish and provide Project Milestones for each Terminal CBIS to the TSA that allow objective measurement of progress toward completion of the Project. Project Milestones for the major phases for each Terminal CBIS activities (design, planning, procurement, project execution) will be provided to the TSA within 90 days after execution of this Agreement or the applicable Project Manager's Notice to Proceed. TSA maintains the right to identify the any additional milestones to be tracked.

ARTICLE VII - ACCEPTANCE AND TESTING

TSA will deem the Project complete upon successful results of the TSA EDS systems test conducted by the TSA independent acceptance test Contractor for all Terminal CBIS. TSA independent acceptance testing confirms that the baggage screening system has been installed in accordance with the TSA PGDS.

Successful completion of each Terminal CBIS requires the correction of defects identified during the EDS systems test for the individual Terminal CBIS. Ten percent (10%) of each invoice submitted will be retained for each Terminal CBIS until all defects identified during the system test for said Terminal have been corrected by the CITY/Project Manager and the individual Terminal CBIS has successfully passed the TSA EDS acceptance testing. Upon successful completion of the individual Terminal CBIS, the TSA will release the 10% retainage directly associated with said Terminal CBIS as part of the final invoice payment for said completed Terminal.

ARTICLE VIII. AUTHORIZED REPRESENTATIVES

The authorized representative for each party shall act on behalf of that party for all matters related to this Agreement. Each party's authorized representative may appoint one or more personnel to act as an authorized representative for any administrative purpose related to this Agreement, provided written notice of such appointments are made to the other party to this Agreement. The authorized representatives for the parties are as follows:

A. TSA Points of Contact:

Deployment Project Manager/Contracting Officer Technical Representative:

Peter McVey

Transportation Security Administration

Office of Security Technology, TSA-16

1 West Post Office Road

Ronald Reagan Washington National Airport

Washington, DC 20001-6000

Phone: 571-227-3842

E-Mail: peter.McVey@dhs.gov

Contracting Officer:

Connie Thornton

Transportation Security Administration

4275 Airport Road, Suite C

Rapid City, SD 57703

Phone: 605-393-8191

E-Mail: connie.thornton@dhs.gov

Only the TSA Contracting Officer (CO) shall have the authority to bind the Federal government with respect to funding and liability. The TSA Contracting Officer Technical Representative (COTR) is responsible for the technical administration of this Agreement and technical liaison with the Airport/Project Managers. The TSA COTR is not authorized to change the scope of work, to make any commitment or otherwise obligate the TSA, or authorize any changes which affect the liability of the TSA such as amount or level of available funding.

The CITY or its Project Manager(s) must notify the TSA CO and COTR in event that any TSA employee or TSA contracted agent takes any action that may be interpreted by the CITY/Project Manager as direction which consequently increases the Project costs and would cause the City to seek reimbursement from TSA beyond the TSA's liability as stated in the Agreement.

B. CITY Points of Contact:

The CITY's Points of Contact:

1. The CITY's Point of Contact for all correspondence related to the MOA/LOI CBIS project:

Steve Martin

Chief Operating Officer

Los Angeles World Airports

1 World Way, P.O. Box 92216

Los Angeles, CA 90009-2216

(310) 646-8284

smartin@lawa.org

2. The CITY's Point of Contact for invoices related to the MOA/LOI:

Mark Vicelja
 Program Manager, In-Line System for LAX/ONT
 Major Projects Division
 Los Angeles World Airports
 7301 World Way West, 5th Floor
 Los Angeles, CA 90045
 (310) 577-3420
 mvicelja@lawa.org

ARTICLE IX - FUNDING AND LIMITATIONS

In accordance with the terms set forth in the Letter of Intent, attached hereto as Appendix A, and incorporated herein, TSA's intent is to reimburse the City for 90 percent of the Projects costs not to exceed a funding amount of \$150,000,000. The CITY/Project Manager(s) agrees to initially fund the Project. TSA's intent to reimburse the CITY for 90 percent of the CITY/Project Manager(s) Project costs shall not be deemed an obligation of the United States Government under section 1501 of title 31 United States Code, and the Letter of Intent is not an administrative commitment for financing. An obligation or administrative commitment may be made only as amounts are provided in authorization and appropriation laws.

Funds are presently not available for reimbursement to the CITY for 90 percent of the Project costs to perform this Agreement, and no legal liability on the part of the TSA for any payment may arise for the performance under this Agreement unless and until funds are appropriated for this Project activity, such funds are made available to the Contracting Officer for performance under this Agreement, the CITY receives notice of availability of such funds (provided in writing from the Contracting Officer), the Agreement is amended to obligate funds, and provided that the CITY/Project Manager initially finances the Project for its share of the work described in this Agreement. Any determination of additional funding is within the sole discretion of the TSA.

Per the TSA Letter of Intent, Appendix A attached and incorporated herein, TSA, after funds have been appropriated and obligated, shall issue funds to reimburse the CITY from fiscal year 2010 and 2011 budget authority, according to the following schedule.

<u>Fiscal Year</u>	<u>Federal Funds</u>
FY2010	\$100 million
FY2011	\$ 50 million
Total	\$150 million

PR: 2110200CT1022

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 DIRECT-DEF, TASK D \$100,000,000.00

3 to 5 business days following completion of 30 days of run-in, data analysis, and on-site observations	TSR, if required, is submitted by the TSA Acceptance Testing contractor to TSA.	TSA Acceptance Testing Contractor, TSA Deployment Lead
≤20 business days from conclusion of 30 days of run-in, data analysis, and on-site observations	SSTR is submitted by the TSA Acceptance Testing Contractor to TSA.	TSA Acceptance Testing Contractor, TSA Deployment Lead

1.3.1. Site Acceptance Testing (SAT)

The EDS OEM shall coordinate and conduct SAT testing on the EDS machines in the presence of a TSA/OST designated government witness (normally the Acceptance Testing Contractor.) The EDS OEM shall implement and coordinate testing by issuing a Test Readiness Notification (TRN) at least 7 days prior to the scheduled Acceptance testing. Passing SAT results are required prior to integration of EDS to the BHS and to certify equipment readiness for operational use in screening baggage. In the event that supplied EDS units cannot meet SAT test requirements, TSA will ensure that any defects are corrected or that the EDS unit is replaced.

1.3.2. Site Specific Test Plan Development (SSTP)

TSA has arranged for its Acceptance Testing Contractor to develop a Site Specific Test Plan based on testing criteria outlined in the TSA CBIS Planning Guidelines and Design Standards Appendix D-2. The SSTP will be based on the CITY's/Project Manager(s) responses to a Site Planning Checklist to be completed ≥100 days in advance of Integrated Site Acceptance Testing. The final SSTP shall be delivered to the CITY's/Project Manager(s) 30 days in advance of projected ISAT start-up. This is preceded by reviews of the draft SSTP by TSA OST 60-45 days prior to testing and by the CITY's/Project Manager's Team 45-30 days prior to testing. The TSA Site Lead and Acceptance Test Lead shall participate in a Test Coordination meeting no less than 30 business days prior to the projected ISAT start up to ensure that all CITY's/Project Team concerns and questions about the ISAT test plan are resolved and to coordinate logistical and technical needs. Any requests for deviation from the SSTP testing requirements must be delivered in writing to the TSA prior to this test coordination meeting for review and response. This is last chance for CITY's/Project Team to disclose any test standards that cannot be met in writing and formally justify exemption from said test criteria.

1.3.3. Integrated Site Acceptance Testing (ISAT)

Scheduling and Coordination: Construction schedule including the ISAT start date(s) and duration(s) shall be shared with the TSA Site Lead at 120, 90, 60, 30, and 14 days from the anticipated ISAT start date. This schedule shall be distributed each time changes are made to the ISAT start date and/or duration. Changes made to the schedule within two weeks of the planned

ISAT start date may relieve the TSA of the obligation to begin testing within three business days of the TRR. In this situation, the ISAT start date could depend on TSA's testing workload and resource allocation.

Test Results and Reports:

Testing results will be shared in hard copy format with the CITY/Project Manager(s) through the local TSA Point of Contact. Test results will identify security, efficiency and safety concerns.

There are four (4) possible test outcomes:

- Meets Criteria – System meets TSA PGDS Requirements;
- Meets Waivered Criteria – System meets PGDS requirements and TSA deployment waived criteria.
- Defects Found – TSA may staff the system but further work is needed to correct defects;
- Fail – TSA will not staff the system; CITY/Project Manager should resolve issues as published and prepare for re-testing

In the event of a failed ISAT result, TSA reserves the right to defer any subsequent re-tests for a period of at least 30 days.

1.4 INTEGRATION SERVICES

1.4.1. BHS Support

The EDS OEM shall assist the CITY's/Project Manager's BHS contractor to establish digital and serial communication for the EDS units. Once communication between devices has been established, the EDS OEM shall provide the following support and integration services.

- Assist the BHS contractor to obtain efficient EDS operation.
- Provide on-site Integration Engineer Support Services to facilitate the entire integration effort with the BHS.
- Be available to support system testing and validation conducted by internal or external organizations including Site Specific Test Plan (SSTP) for the Integrated Site Acceptance Test (ISAT) and pre-ISAT project testing and throughout the planning phases including the issuance of the ISAT TRN and TRR.
- During initial system operations run of live checked baggage, provide technical assistance as requested by TSA and/or the CITY/Project Manager.

1.4.2. Software and Hardware

Following SAT and throughout the integration effort, the EDS OEM shall install and test the required software and hardware to allow for digital and serial communication between the EDS and the BHS PLC if required. Functionality of the EDS BHS interface hardware and software shall be verified by the EDS OEM at the interface box prior to working with the CITY/BHS contractor to ensure a proper operating PLC interface and to avoid delays.

1.5 SYSTEM NETWORKING

1.5.1 Network Infrastructure

The EDS OEM shall provide required patch cables and miscellaneous hardware to interface between network patch panel and EDS OEM supplied networking components.

1.5.2 Network Services

The EDS OEM shall provide: training for TSA staff; coordination and support for TSA and testing certification; and resources to conduct installation, testing, and initial operational support for networking. No other network may interface with the networked CITY/Project Manager screening solution. The implemented assigned network for operation shall be an isolated, stand-alone network.

1.6. TRAINING

TSA will provide training for TSA screening staff on the operation of the EDS and ETD equipment.

1.7. MAINTENANCE

Upon successful completion of SAT testing for each unit, TSA will maintain and repair the EDS and ETD units throughout their lifecycles.

B. CITY/PROJECT MANAGER'S RESPONSIBILITIES with regard to the Project are listed below in sections 2.1 to 2.5 listed below.

2.0 DESIGN

The CITY/Project Manager will undertake design of a baggage screening system in accordance with the TSA PGDS which meets the needs of the CITY/Project Manager and TSA FSD. The CITY/Project Manager shall submit designs at 30%, 70% and 100% intervals to TSA for review. The CITY/Project Manager shall respond to TSA design review comments promptly and in writing.

2.1 EDS PLACEMENT

The CITY/Project Manager shall ensure that the Project site will be ready to accommodate the installation of the EDS and associated equipment. The CITY/Project Manager shall be responsible for providing oversight of rigging activities during any and all EDS movements. The CITY/Project Manager shall coordinate with the EDS OEM to integrate all activities regarding placement of EDS equipment. The CITY/Project Manager shall provide reasonable measures to protect the EDS and ETD equipment from damage in the screening area.

2.1.1 Site Readiness and Storage

The CITY/Project Manager shall confirm site readiness to receive EDS units to the TSA Site Lead no later than 10 business days prior to requested delivery date. Site readiness shall address availability of permanent power; removal of obstacles to the rigging path; and adequacy of physical environmental conditions within the delivery area that meet EDS OEM standards for protecting the EDS units. The CITY/Project Manager shall provide secure storage for the EDS units and ancillary equipment if site conditions at the time of delivery do not provide adequate protection. The CITY/Project Manager shall provide secure storage space for hardware associated with EDS integration and multiplexing until it can be installed by EDS OEM Integration Support Staff. Failure to meet these minimum requirements may result in reallocation of equipment to other sites, thus affecting the airport's overall project schedule.

2.1.2 Rigging Services

The CITY/Project Manager will be responsible for providing rigging path verification, ingress path, and/or structural analysis for the TSA EDS rigging vendor. If required, the Project Manager will remove and replace any walls, windows, glass, doors, or other physical barriers in support of rigging activities.

2.2 INSTALLATION SUPPORT

2.2.1 Power Requirements

The CITY/Project Manager will provide terminations to the EDS for electrical power. The CITY/Project Manager will be responsible for providing all infrastructure power requirements including separate metering. If applicable, the Project Manager will design and install all power requirements to terminal locations within the OSR room, CBRA room(s), and at EDS locations. The CITY/Project Manager will provide cabling from terminations to EDS equipment. The CITY/Project Manager shall attest to the availability of power supply to adequately support the EDS and associated equipment in accordance with OEM specifications and be liable for damage to this equipment resulting from intentional deviations to accepted power supply conditions.

2.2.2 Commissioning Services

The CITY/Project Manager will be responsible for obtaining all other building code compliant infrastructures not mentioned in Section 2.2.1 to support EDS operations and maintenance.

2.3 INTEGRATION SERVICES

The CITY/Project Manager shall ensure that the BHS Contractor coordinates with EDS OEM in support of integration activities (e.g. installation and testing the required software and hardware to allow for digital and serial communication between the EDS and the BHS PLC) as needed. Terminations to the EDS for BHS PLC communication shall be performed by the CITY's/Project Manager's BHS contractor.

2.4 NETWORKING

2.4.1. Network Infrastructure

The CITY/Project Manager will design and install all communication conduit, fiber, etc. as required by the EDS OEM's design criteria for the EDS and EDS networking system, including but not limited to connectivity of the remote OSR Room, CBRA, and Central baggage Control Room as required. Exact parameters will be reviewed at Project start-up by TSA.

The CITY/Project Manager will provide cabling and network patch panels in the OSR room, CBRA, and the TSA network room as determined by the network design conducted in conjunction with the CITY/Project Manager. The EDS OEM shall provide required patch cables and miscellaneous hardware to interface between network patch panel and EDS OEM-supplied networking components. The CITY/Project Manager will provide all electrical outlets to support installation and operation of a fully multiplexed explosive detection system.

2.4.2. Network Services

No other network may interface with the networked CITY/Project Manager screening solution. The implemented assigned network for operation shall be an isolated, stand-alone infrastructure network.

2.5. Acceptance - TESTING SUPPORT

The project schedule shall allow for sufficient time to conduct mandatory testing of the EDS units after installation and integration. The project schedule shall also factor in minimum lead times for notification of readiness for testing (7 days for SAT; 3 days for TRR; and at least 3 business days for ISAT.) The CITY/Project Manager shall identify for each Terminal operational windows in time in which testing activities can be accomplished. When possible, testing activities should be scheduled for normal 8-hour work windows on typical business days (Monday-Friday) and should not include holidays, unless previously agreed to.

2.5.1 Site Specific Test Plan (SSTP)

The CITY/Project Manager shall ensure that information needed to develop an accurate SSTP is provided to TSA Test Lead at the earliest opportunity, but no later than 100 days prior to the requested testing date. Required documentation includes:

- The Site Planning Checklist
- BHS Specifications
- Controls Description and/or Description of Operation (if both exist then provide both)
- Fail-safe and/or E-Stop Zone Drawings
- BHS Drawings, Plan (with control stations and conveyor numbering) and Elevation Views
- Available CBIS Daily Reports shall be provided during ISAT testing and throughout the Run-In period. These reports should meet the requirements described in the PGDS Appendix D1.
- Conveyor Motor Manifest

It may be necessary to supplement the above material with additional documentation, such as:

- Installation Phasing Plan Narrative and Phasing Plan Drawings
- Construction and Testing Schedule
- Sample CBIS Report that presents the status for bag arrivals at CBRA. Ideally, a break-out of all possible statuses presented for bag arrivals at CBRA will be provided in this report.

All drawings shall be clearly visible and readable when plotted on Arch D Size Stock. All documents shall be submitted electronically (e.g. text documents in MS Word or PDF and drawings in AutoCAD [.dwg] or PDF.)

Any system constraints that will prevent compliance with TSA testing and performance criteria must be disclosed in writing to TSA as far in advance as possible to allow for evaluation of applicable waivers. Any restrictions on system availability and accessibility for testing shall be disclosed. Cutover plans including any phasing plans that will affect the TSA Acceptance Testing Contractor's ability to test the full system from ticket counters through the outbound/sortation system shall also be disclosed to allow for the development of an accurate SSTP. Cutover plans that will result in multiple testing phases shall also be presented to TSA in writing for review and approval in advance of the projected test start date.

The CITY/Project Manager will have the opportunity to review and comment on SSTP in advance of testing. Comments and/or questions should be directed to the TSA Deployment Lead and the TSA Site Lead.

2.5.2. Test Readiness Report (TRR)

This pre-ISAT activity is conducted by TSA Site Lead in coordination with the CITY/Project Team (typically the BHS Contractor.) The purpose of this testing activity is to assure TSA of site readiness for ISAT and is a precursor for TSA authorization for TSA Test Lead to deploy. The CITY/Project Manager Team will be provided TRR data sheets by the TSA Site Lead. BHS/CBIS configuration and operation shall be in final form intended for bag screening operations. Unless mutually agreed to, changes/improvements to BHS/CBIS between TRR and ISAT are not authorized. The CITY/Project Manager Team must address security and efficiency defects found during TRR and be prepared to implement mutually agreed upon corrective actions prior to ISAT.

Required input from the Project Team will include:

Functional Testing Documentation: Testing authentication must be clearly reported and show every test with bag ID and declared status on printed EDS FDRS (Field Data Reports) and resulting bag destination. Ledger forms should show test date, type of test, identification of bag destination location, and ID number of the bags arriving at that location. Sample ledger forms will be provided in the SSTP.

- These reports should be organized and indexed in a loose-leaf binder(s)
- Each test shall conclude with an indication of successfully passing the required criteria of BHS specification and testing criteria and if conflict or failure exists, then so indicate with an explanation.
- Presentation of completed testing and TRR required documentation to TSA Site Lead not less than 7 business days prior to anticipated Pre-ISAT date is required.

System Mixed Bag Test and System Throughput Test Observation: Sufficient numbers of test bags (no less than 100 test bags per EDS) will be utilized to "stress" the BHS/CBIS as would occur during peak operating times. Test bag set profile should be similar to the TSA Acceptance Testing Contractor's test bag profile.

- A real-time observation by TSA Site Lead of a global BHS/CBIS System Mixed Bag Test and System Throughput Test using clear and suspect bags is required.
- All EDS equipment must be operational.
- All baggage entry points must be utilized.

ISAT: The TSA Site Lead performs the TRR. If successful, a Test Readiness Notice is issued to TSA and the TSA Acceptance Testing Contractor for ISAT deployment. If delivered by COB Monday through Wednesday (5:00 p.m. EST), ISAT deployment will occur the following Monday. If delivered any time Thursday through Sunday, ISAT deployment will occur on the second Monday. If changes are made to the system following TRR without prior coordination with TSA, ISAT testing shall be postponed pending submission of documentation for review and evaluation by TSA and its Acceptance Testing Contractor (see paragraph 2.5.7)

2.5.3. Logistical Support Needs: The CITY/Project Manager shall identify any logistical or support needs that will impact TRR and ISAT testing, to include:

- any process needed to obtain sufficient baggage tags should the system use IATA baggage tracking mechanisms, or blank bag tags if the system does not use IATA baggage tracking mechanisms;
- any process needed to obtain sufficient baggage tubs/totes (typically 20 per installed EDS)
- any process needed to obtain Airport badges/access for TSA Acceptance Testing Contractor personnel; and/or personnel escorts
- availability of baggage handling support for testing activities; and
- availability of support for delivery and secure storage of TSA Acceptance Contractor test bags for ISAT (100 bags per EDS.)

2.5.4. ISAT Testing: The TSA Acceptance Testing Contractor will meet with the CITY/Project Manager Team at least 30 days prior to testing to coordinate the conduct of ISAT testing. The TSA Test Lead and the CITY/Project Manager Team will finalize details relating to the scheduling and duration of the testing. (Generally allow 1.5 days per EDS line and 1.5 days per each system Sort Testing and Rate Testing.)

2.5.5. Test Results and Reports

In the event of a Defects Found or Failed result during TRR or ISAT testing, the CITY/Project Manager Team shall report corrective actions to be applied and the timeline associated with said corrections. If constructed system fails testing, TSA will work with the CITY/Project Manager Team to identify corrective solutions. TSA is not obligated to accept or operate a baggage screening system that does not meet the minimum test standards.

2.5.6. Operational Run-In

The Run-In period will extend for a minimum of 30 days from the start of substantial operations with cutover of substantial input and output lines. This period of time shall be discussed and agreed to by all parties during the SSTP development process, and reconfirmed at the completion of the ISAT. This period shall also be dependent on resolution of deficiencies found during testing and Run-In. Once a week during the Run-In period, the project authority or their authorized representatives shall forward electronic versions of all CBIS Daily Reports required by Appendix D1.23 of the PGDS. These reports will be supplied to TSA and their deployment and testing contractors. Additionally, a CBIS report that presents the status for bag arrivals at CBRA should be provided in support of Run-In period data collection, as was made available during ISAT testing. Statuses to be reported include at a minimum: Total Bags, Suspect, Clear, Unknown, No Decision/Pending Decision, Lost in Tracking, Oversize, and Out-of-Gauge Bags. Ideally, a break-out of all possible statuses presented for bag arrivals at CBRA will be provided in this report.

After receipt, review and analysis of at least 21 days of performance data, TSA and their Acceptance Testing Contractor will deploy to the site to physically verify closure of open deficiencies, and observe system operation against the data reported. During this time, measurements of belt speeds for security tracking zone conveyors will be performed. These Run-In period measurements will be recorded and reported together with similar measurements made during mobilization for ISAT testing. Based on the data analysis and physical observations, a recommendation will be made to TSA via a Test Summary Report (TSR) to end the Run-In

period, extend the Run-In period, and/or change the operational status of the CBIS.

2.5.7. Post Commissioning Activities:

The TSA Site lead will conduct 30-day operational run-in observations of the system following successful ISAT testing.

The CITY/Project Manager shall provide a written response outlining corrective actions that will be taken due to outstanding deficiencies, issues, and action items identified in the Test Report within three (3) months.

For the continued and secure operation of the CBIS, all changes to the BHS system that impact the CBIS operation after its initial commissioning must be reviewed, evaluated, and endorsed by TSA before they are implemented by the CITY/Project Manager. The following procedure is to be followed for all changes to CBIS systems other than those required for normal routine and periodic maintenance/repairs to the BHS system. The Airport/Airline responsible for the BHS system shall assemble an information package for submittal to TSA Office of Security Technology which includes the following minimum information.

- Written description of all proposed physical and programming changes to the BHS and CBIS system(s)
- Reason for proposed change(s)
- Anticipated impact to system operation (e.g. increased throughput, lowered tracking losses, elimination of bag jams)
- Drawings showing affected areas
- Any potential security, tracking or efficiency impacts, including impacts on TSA manpower or operations
- Proposed date of changes

This package shall be delivered to the local TSA FSD who shall review the package. The local TSA FSD shall add any comments he/she may have and forward the package to TSA Office of Security Technology at the following address:

Transportation Security Administration
Office of Security Technology, TSA-16
EBSP Deployment
TSIF Building
1 West Post Office Road
Washington, DC 20598-6032

The TSA Office of Security Technology will review and analyze the efficacy and impact of these changes to determine if it may be necessary for TSA to re-certify the CBIS system(s). Once the review has been completed, TSA shall notify the local TSA FSD and the Airport/Airline with the TSA recommendation and testing requirements for the system changes.

Schedule 1-D

TSA Inline Baggage System Requirements

TSA Inline Baggage System Requirements

Section 1. Scope of Work.

1.1 The "Project", as defined in this Section, will consist of the modification and construction to be made to Airport's terminal infrastructure and the baggage conveyor system in order to install an in-line checked baggage inspection system ("CBIS") solution in Terminal 1, including all testing to satisfy applicable TSA requirements and certifications. The scope of work will include, but not be limited to: the design and construction of baggage conveyor components, facility demolition, mechanical, plumbing, electrical, structural, and telecommunications infrastructure all supporting the installation of an explosive detection system ("EDS") machines and Explosive Trace Detection ("ETD") equipment within the baggage screening matrix(s); the design and construction of a Checked Baggage Resolution Area; the design and construction of a remote multiplexed On-Screen Resolution Room; the design and construction of a CBIS control room; the installation of hardware and software for use with an in-line baggage screening application; and all testing to satisfy TSA requirements and certifications (collectively, the "Work").

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

1.3 The Tenant will (i) procure engineering and design services, as well as the associated construction and baggage handling system contractors to undertake the Work, (ii) obtain all necessary licenses, insurance, permits and approvals, and (iii) agree to all "Project Manager" responsibilities, deliverables and related obligations described in the OTA with respect to the design portion of the Work (such portion, the "Design Work") and the MOA with respect to the construction portion of the Work (such portion, the "Construction Work") including but not limited to the following:

Responsibilities

1. The Tenant, acting through such contractors/consultants as it may use, will provide the engineering and design services, as well as the associated construction and baggage handling system contractors to undertake the Work. The Tenant will provide oversight of such contractors to ensure the Work is completed pursuant to the applicable requirements of the TSA, the MOA and the OTA and within the prescribed costs of the MOA and the OTA and schedule approved by the TSA.
2. With respect to the Design Work: Submit monthly progress status reports and other required TSA documentation to the Landlord for processing to the TSA Project Manager and the TSA Contracting Officer identified in Article VIII – Authorized Representatives of the OTA. The monthly report should provide an executive summary of work performed to date, schedule and expenditure updates, and identify

the events to occur within the next 90 days, identify the Tenant and its key contractor/consultant points of contact and use an earned value management approach to identify the cost and schedule variance incurred against work performance completed to date.

3. *With respect to the Construction Work:* Submit monthly milestone and project progress status reports by the 10th of each month to the TSA Project Manager, the TSA Contracted Site Lead, and the TSA Contracting Officer as identified in the MOA. Specific requirements for the content of the monthly project status report are identified in Appendix D of the MOA.

Deliverables

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

Item	Submitted To:	Frequency or Due Date
Design: Alternative Analysis Schematic, 30%, 70% 100%	TSA Project Manager City	Per the approved schedule
Master Schedule and detailed Estimate of Costs to include Design Work Milestones	TSA Project Manager TSA Contracting Officer (CO) TSA Contracted Site Lead City	Within 30 days of the Agreement signing. Updated on a monthly basis with monthly report as project is underway.
Breakout of cost based on an established Schedule of Values for Design Work	TSA Project Manager TSA Contracting Officer (CO) TSA Contracted Site Lead City	The Tenant to provide upon issuing Notice to Proceed to Contractor and whenever Change Orders are issued
Design Contracts including any subsequent Change Orders	TSA Project Manager TSA CO TSA Contracted Site Lead	Upon Award by the Tenant.
Monthly Project Report (Current and forecasted for the next period's tasks) <ul style="list-style-type: none"> • Tasks completed • Schedule • Budget and actual costs spent to date • Cost variance • Schedule variance • Variance analysis data in excess of 10% • Identify tasks for next 90 days 	TSA Project Manager TSA CO TSA Contracted Site Lead City	Monthly. Electronic submission as well as hard copies.
Final invoice for Design Work	TSAT Project Manager TSA CO	

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

Item	Submitted To:	Frequency or Due Date
Resource Loaded Master Schedule and Cost Estimate to include Project Milestones (Construction)	TSA Project Manager TSA Contracting Officer (CO) TSA Contracted Site Lead The Landlord	Within 30 days of the Agreement signing or within 60 days after Notice to Proceed. Updated on a monthly basis with monthly report as project is underway.
Schedule of Values (Construction, Baggage Handling Contract)	TSA Project Manager TSA Contracting Officer (CO) TSA Contracted Site Lead The Landlord	The Tenant to provide upon execution of contracts and issuing Notice to Proceed to the Contractor
Monthly Milestone and Project Report	The Landlord	Monthly. Electronic submission as well as hard copies.
Disadvantaged Business Enterprise Utilization Cost Report for all contracts awarded to small business firms	TSA Small Business Coordinator The Landlord	March 31 and September 30
Construction		
Mechanical and electrical shop drawings for concurrence with reviewed design submittal	TSA Project Manager TSA Contracted Site Lead The Landlord	Upon completion by the BHS contractor
Contract addenda, change order requests, requests for information or clarification	TSA Project Manager TSA Contracted Site Lead The Landlord	Upon review and concurrence by the Landlord of a possible deviation from the reviewed design
Close Out Process		
Close Out Process – Correction of testing deficiencies	Close Out Report submitted to TSA Project Manager and TSA Contracted Site Lead The Landlord	Initiated after TSA completion of system certification testing and deficiencies have been corrected
PLC code of the CBIS in electronic format	TSA Project Manager The Landlord	No later than 30 days after commissioning of system(s)
As build drawings in electronic format, .dwg (AutoCAD) or comparable format	TSA Project Manager The Landlord	No later than 30 days after 30-day operational run-in period
Overview of drawings of the Matrix/Node, Resolution Room, OSR Room as applicable, .dwg (AutoCAD) or comparable format	TSA Project Manager The Landlord	30 days after 30-day operational run-in period
Final Invoice	TSA Project Manager TSA CO The Landlord	No later than 90 days after final sign-off of system by TSA OST, following successful operational run-in period and start of live bag screening
Release of payment/liens from general contractor and sub-	TSA Project manager TSA CO	

contractor	The Landlord	
CBIS changes after commissioning		See Post Commissioning Requirements in MOA

1.4 The Tenant will establish and provide to the Landlord and the TSA milestones for the Work that will allow objective measurement of progress toward completion of the Project ("Project Milestones"). With respect to the Design Work, Project Milestones will be provided to the Landlord and the TSA within 30 days after execution of the Lease. With respect to the Construction Work, Project Milestones for the major phases of the Project (planning, procurement, project execution) will be provided to the Landlord and TSA within 90 days after execution of the Lease or the applicable Notice to Proceed. The Landlord and the TSA maintain the right to identify additional milestones to be tracked after notice to the Tenant.

Section 2. Documentation.

2.1. The Tenant shall submit actual expenses for the Work, supported by invoices and other documentation to the Landlord in accordance with this section.

2.2. Submission of documentation to the Landlord shall be sufficient to obtain reimbursement from the TSA pursuant to the OTA with respect to the Design Work and the MOA with respect to the Construction Work. The Tenant shall promptly provide any additional documentation required by the TSA for support of its expenditures.

2.3. The Tenant intends to submit expenditures for the Work, i.e., invoices, proof of payment and other documentation, to the Landlord on a monthly basis for submission to the TSA for payment. The Landlord intends to forward such submissions to the TSA, together with any documentation required by the TSA from the Landlord.

2.4. At a minimum the Tenant shall include with each submission to the Landlord under this Section 2:

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

The Support Documentation pursuant to Section 3.4(8) shall contain at minimum the following items:

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

Section 3. Warranty. The Tenant warrants that the services provided herein shall conform to the highest professional standards pertinent to respective industry. The Tenant warrants that all materials and equipment furnished pursuant to this Lease will be new and of good quality unless otherwise specified, and that all workmanship will be of good quality, free from faults and defects and in conformance with the design documents approved by the TSA and the City of Los Angeles Department of Building and Safety.

Section 4. The Tenant's Responsibilities.

4.1 The Tenant shall pay all appropriate costs associated with the Work, including, but not limited to, the insurance types and amounts for the performance of the Work as required by the Landlord, security, permits and fees.

4.2 The Tenant and its contractors shall be responsible for all civil penalties assessed as a result of failure to comply with any and all applicable rules, regulations, restrictions, ordinances, statutes, laws and/or orders of any federal, state, and/or local government regarding

the Project. The Tenant and its contractors shall hold the Landlord harmless and indemnify the Landlord for all civil penalties.

Section 5. Audits.

5.1 The Landlord and federal government, including the Comptroller General of the United States, has the right to examine or audit relevant financial records for a period not to exceed three (3) years after expiration of the terms of the MOA, or OTA, whichever is later (the "Audit Right Expiration"). The Tenant and its contractors must maintain an established accounting system that complies with generally accepted accounting principles. Records related to disputes arising out of the MOA, OTA and the Project shall be maintained and made available until such disputes have been resolved.

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

5.3 The Tenant shall maintain all records and other evidence sufficient to reflect costs claimed to have been incurred or anticipated to be incurred directly or indirectly in performance of the Project. The Landlord, TSA Contracting Officer or the authorized representative of the TSA Contracting Officer shall have the right to examine and audit those records at any time, or from time to time for a period not to exceed three (3) years after expiration of the terms of the MOA, or OTA, whichever is later. The right of examination shall include inspection at all reasonable times after notice at the offices of the Tenant or at the offices of the Tenant's contractor(s) responsible for the Project.

5.4 The Tenant will be required to submit cost or pricing data and supporting information in connection with any invoice relating to this Lease if requested by the Landlord or TSA Contracting Officer.

5.5 Section 5 shall not be construed to require the Tenant, its contractors or its subcontractors to create or maintain any record that they do not maintain in the ordinary course of business pursuant to a provision of law, provided that those entities maintain records which conform to generally accepted accounting practices.

5.6 The Tenant shall insert a clause containing the terms of Section 5 in all its contracts and subcontracts relating to the Project that exceed \$100,000.00 (One Hundred Thousand Dollars).

Section 6. Rules and Regulations.

6.1 The Tenant shall have sole responsibility for fully complying with any and all applicable rules, regulations, restrictions, ordinances, statutes, laws and/or orders of any federal, state, and/or local government applicable to the Project. The Tenant shall be solely responsible for fully complying with any and all applicable present and/or future orders, directives, or conditions issued, given or imposed by the Executive Director which are now in force or which

may be hereafter adopted by the Board and/or the Executive Director with respect to the operation of the Airport. In addition, the Tenant agrees to specifically comply with any and all Federal, State, and/or local security regulations, including, but not limited to, 14 CFR Parts 107 and 108, regarding unescorted access privileges. The Tenant shall be solely responsible for any and all civil and/or criminal penalties assessed as a result of the Tenant's, and/or the Tenant's subcontractors, failure to comply with these stated provisions.

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

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

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

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

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

6.7 The Project shall be subject to Section 1.4.1(a) [Prevailing Wage] of the Lease.

Section 7. City Held Harmless.

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

7.2 The Tenant expressly agrees to hold harmless, and to indemnify, the Landlord, its Board, its departments, officers and employees (collectively "indemnities") from, and for, any

and all civil penalties sustained, or incurred, by indemnities as a result of the Tenant's, and/or of the Tenant's subcontractors, failure to comply with any applicable rules, regulations, restrictions, ordinances, statutes, laws, orders, of any federal, state, and/or local government regarding the Project.

7.3 In addition, the Tenant agrees to protect, defend, indemnify, keep and hold harmless indemnities from and against any and all claims, damages, liabilities, losses and expenses arising out of any threatened, alleged or actual claim that the end product provided to the Landlord by the Tenant violates any patent, copyright, trade secret, proprietary right, intellectual property right, moral right, privacy, or similar right, or any other rights of any third party anywhere in the world. The Tenant agrees to, and shall, pay all damages, settlements, expenses and costs, including costs of investigation, court costs and attorney's fees, and all other costs and damages sustained or incurred by the Landlord arising out of, or relating to, the matters set forth above in this paragraph of the Landlord's "Hold Harmless" agreement.

7.4 In the Tenant's defense of the Landlord under this Section, negotiation, compromise, and settlement of any action, the Tenant shall keep the Landlord informed throughout the litigation, negotiation, compromise, settlement, and appeals therefrom. Any decision or instruction by the Tenant during such litigation, negotiation, compromise, settlement, or appeal, which decision or instruction has an adverse effect on the Landlord, shall be subject to Landlord's prior written approval.

Section 8. Independent Contractor. In furnishing the services provided for herein, the Tenant is acting as an independent contractor. The Tenant is to furnish such services in its own manner and method and is in no respect to be considered an officer, employee, servant or agent of the Landlord.

Section 9. Protection of Information.

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

9.2 No SSI concerning the scope of the Project, shall be published or released to the public without prior written approval of the Landlord.

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

9.4 The Tenant shall not make publicity or public affairs activities related to the Project unless written approval has been received from the Landlord and TSA Office of Security Technology or the TSA Office of Strategic Communication and Public Affairs.

Section 10. Survival of Provisions. Section 9 of this Exhibit shall survive the termination of the Lease. Section 5 shall also survive the termination of the Lease if the Audit Right expiration extends beyond the termination of the Lease.

SCHEDULE 2

Maintenance

Schedule 2
Maintenance Schedule

	All Areas	Demised Premises	Equipment Lease	Terminal Public Areas	Building Exterior and/or Ramp
EQUIPMENT					
Passenger loading bridges, generators, pre-conditioned air, potable water systems	N/A	N/A	Tenant at Preferential Gate Holdrooms	N/A	Tenant at Preferential Gate Holdrooms
Centralized 400Hz Jet aircraft power system to support passenger boarding bridges	Tenant	N/A	Tenant	N/A	Tenant
Inbound baggage systems, including security doors, lighting, conveyors and related equipment(PLC's, MCP's, etc)	N/A	Tenant	Tenant	N/A	N/A
Outbound baggage systems, including security doors, lighting, conveyors and related equipment(PLC's, MCP's, etc)	N/A	Tenant	Tenant	N/A	N/A
Interline bag belt systems and carousels	Tenant	N/A	N/A	N/A	N/A
Ticket counters	N/A	Tenant	N/A	N/A	N/A
Battery Chargers	By Owner	N/A	N/A	N/A	N/A
BASE BUILDING SYSTEMS					
Fire sprinkler and fire-life-safety systems	Landlord, unless modified by Tenant				
Master electrical panels and main electrical equipment	Landlord				
Electrical equipment, sub-panels, and distribution	Landlord	Tenant	N/A	Landlord	N/A
Light bulbs, fixtures, and components	N/A	Tenant	N/A	Landlord	Landlord
Specialty Architectural Light Fixtures and Signage installed by Tenant including bulb replacement	Tenant	Tenant	N/A	Tenant	Tenant
Telephone and data lines	N/A	Tenant	N/A	N/A	N/A
Telecommunications conduits serving two or more prime tenants/prime users	Landlord	N/A	N/A	N/A	N/A
Shared water and sewer lines	Landlord	N/A	N/A	N/A	N/A
Single user water and sewer system from main, meter or shared system to and including Demised Premises	N/A	Tenant	N/A	Landlord	Landlord
HVAC systems connected to Landlord provided chilled/hot water	Landlord	N/A	N/A	N/A	N/A
HVAC stand alone systems	Tenant				
LAWA ACAMS	Landlord				
PAVEMENT					
Spill removal	N/A	Tenant	N/A	Tenant to the extent caused by Tenant	Tenant to the extent caused by Tenant

Schedule 2
Maintenance Schedule

	All Areas	Demised Premises	Equipment Lease	Terminal Public Areas	Building Exterior and/or Ramp
Scheduled ramp sweeping, scrubbing	N/A	N/A	N/A	N/A	Tenant at Preferential Gate Holdrooms
Surface markings, including lead-in lines, nose wheel, aircraft safety envelope, and equipment staging	N/A	N/A	N/A	N/A	Tenant at Preferential Gate Holdrooms
Ramp paved surfaces	N/A	N/A	N/A	N/A	Landlord
Guardrails protecting Landlord property	N/A	N/A	N/A	N/A	Landlord
Ramp-side dumpster and trash removal	Landlord	N/A	N/A	N/A	Tenant at Preferential Gate Holdrooms
STRUCTURAL ELEMENTS					
Building exterior and roof, incl. glass	Landlord	N/A	N/A	N/A	N/A
Entrance doors from/to or within Demised Premises, incl. Locks	N/A	Tenant	N/A	Tenant	N/A
Carpeted areas: interior partitions, doors, finishes, furnishings, treatments, seating	N/A	Tenant	N/A	Landlord	N/A
Hard floor areas, including restrooms: interior partitions, doors, finishes, furnishings, treatments, seating	N/A	Tenant	N/A	Landlord	N/A
JANITORIAL					
Basic Janitorial	N/A	Tenant at Preferential Holdrooms	N/A	Landlord	Landlord (window cleaning only)
High Areas, includes ceilings, air conditioning grids and specialty architectural finishes	N/A	Tenant at Preferential Holdrooms	N/A	Landlord	N/A
Passenger loading bridges	N/A	N/A	Tenant at Preferential Holdrooms	N/A	N/A
Carpeted areas: floors, furnishings, and trash receptacles, seating	N/A	Tenant at Preferential Holdrooms	N/A	Landlord	N/A
Hard floor areas, including restrooms: floors, furnishings, trash receptacles and seating	N/A	Tenant at Preferential Holdrooms	N/A	Landlord	N/A
Apron	Landlord				
ART and LANDSCAPING installed by Tenant	Tenant	N/A		N/A	N/A

NOTES

1-LAWA will continue to maintain all holdrooms, baggage systems, ramp scrubbing and passenger boarding bridges (and associated equipment) as of the lease commencement date, Tenant responsibility will commence upon 60-day notice transmitted by the Executive Director, and/or his designee.

2-A survey of all equipment shall be performed by LAWA and the tenant at least 30 days prior to the transfer of maintenance responsibilities in order identify pre-existing conditions.

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

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

Schedule 2
Maintenance Schedule

	All Areas	Demised Premises	Equipment Lease	Terminal Public Areas	Building Exterior and/or Ramp
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5-The tenant shall establish, maintain and report a complete Quality Control program for LAWA-owned equipment that is acceptable to the Landlord in the form that the Landlord requires in accordance with LAWA standards and specifications in regards to routine performance requirements and typical maintenance services.

6-LAWA has the right to perform Quality Assurance inspections on all LAWA-owned equipment and will require tenant to operate and maintain to LAWA standards.

7-Maintenance Schedule shall be updated at least 6 months prior to the completion of the Terminal 1 Construction Program in order to delineate responsibilities going forward.

SCHEDULE 3

Insurance

INSURANCE REQUIREMENTS FOR LOS ANGELES WORLD AIRPORTS

NAME: Los Angeles World Airports and Southwest Airlines Co.

AGREEMENT / ACTIVITY: Terminal Facilities Lease and License Agreement for T-1 at LAX

TERM: Ten (10) years

LAWA DIVISION: Terminals Business Management

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

LIMITS

☒ Workers' Compensation (Statutory)/Employer's Liability

Statutory

☒ Broad Form All States Endorsement

☒ Voluntary Compensation Endorsement

☒ Longshoremen's and Harbor Workers' Compensation Act Endorsement

☒ Waiver of Subrogation (Specifically naming LAWA.

Blanket Endorsements are not acceptable).

☒ Automobile Liability - covering owned, non-owned & hired auto

\$10,000,000 CSL

☒ Aviation/Airport Liability, including the following coverage:

\$10,000,000 CSL

OR

☒ Commercial General Liability /Airport Liability

\$10,000,000 CSL

☒ Premises and Operations

☒ Contractual (Blanket/Schedule)

☒ Independent Contractors

☒ Hangarkeepers Legal Liab.

☒ Personal Injury

☒ Additional Insured endorsement, specifically naming LAWA

(Blanket Endorsements are not acceptable).

☒ Aircraft Liability (including passenger Liability)

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

Commuters with 60 or fewer passengers or Cargo only,

with payload less than 18,000 lbs. -----

\$ 50,000,000 CSL

Air Carriers with more than 60 passengers or Cargo only,

With payload greater than 18,000 lbs. -----

\$200,000,000 CSL

☒ Property Insurance

Value of Improvements

90% Co-Ins. ☐ Actual Cash Value ☒ Replacement Value ☐ Agreed Amt.

☒ Covering airline improvements, w/waiver of subrogation

(Department does not insure tenant improvements)

☒ Fire & Basic Causes of Loss Form, including sprinkler leakage

☒ Vandalism & Malicious Mischief

☒ Debris Removal

*** Coverage for Hazardous Substances

Sudden Occurrence

\$ ***

Non-sudden Occurrence

\$ ***

Comments:

* if exposure exists, coverage is required.

***Must meet Federal and/or State requirements.

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

IRA1 10/05

Revised-7/1/09

SCHEDULE 4

Basic Information Schedule

Schedule 4
Southwest Airlines Company
Basic Information Schedule

Terminal

1

Demised Premises

Location	Master Lease Exhibit Number		Area (Sq Ft)	Area (Sq Ft)	Area (SF)
	Sheet No.	Space No.			
Various per Exhibit A attached			115,595		
Total Occupied Terminal Area (SF)			115,595	115,595	115,595
			Tariff Rate	Tariff Monthly	Rate Agreement Monthly
Demised Premises			115,595		115,595
Terminal Buildings Rate/per square foot/per year			\$ 127.00		\$ 75.00
Estimated Terminal Charges			\$ 14,680,565.00	\$ 1,223,380.42	\$ 8,669,625.00 \$ 722,468.75

Monthly Activity

Terminal Special Charges

A. Custodial Rates

Baggage Claim Custodial Rate per square foot	15,561	\$	19.78	\$	25,649.72	\$	19.78	\$	25,649.72
Holdroom Custodial Rate per square foot	32,207	\$	19.78	\$	53,087.87	\$	19.78	\$	53,087.87

B. Equipment Maintenance and Capital Rates

Outbound Baggage System Maintenance Rate/per enplaned pax	350,783	\$	0.34	\$	119,266.22	\$	0.34	\$	119,266.22
Loading Bridge O&M Rate/per turn	3,289	\$	16.30	\$	53,610.70	\$	16.30	\$	53,610.70
Loading Bridge Capital Charge Additional Rent	13	\$	17,795.00	\$	19,277.92	\$	17,795.00	\$	19,277.92

Estimated Monthly Payments		\$	1,494,272.84		\$	993,361.17
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Faithful Performance Guaranty Requirement:		\$	4,482,818.52		\$	2,980,083.52
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Commencement Date:

This lease shall commence on the first day of the month following the Closing Date.

Permitted Uses:

To conduct and operate the business of an air transportation carrier, and for purposes reasonably incidental thereto.

Aeronautical User Contact for Notices:

Southwest Airlines Co.
Attn: Vice-President, Corporate Real Estate
P.O. Box 36611, HDQ/4PF
2702 Love Field Drive
Dallas, TX 75235-1611

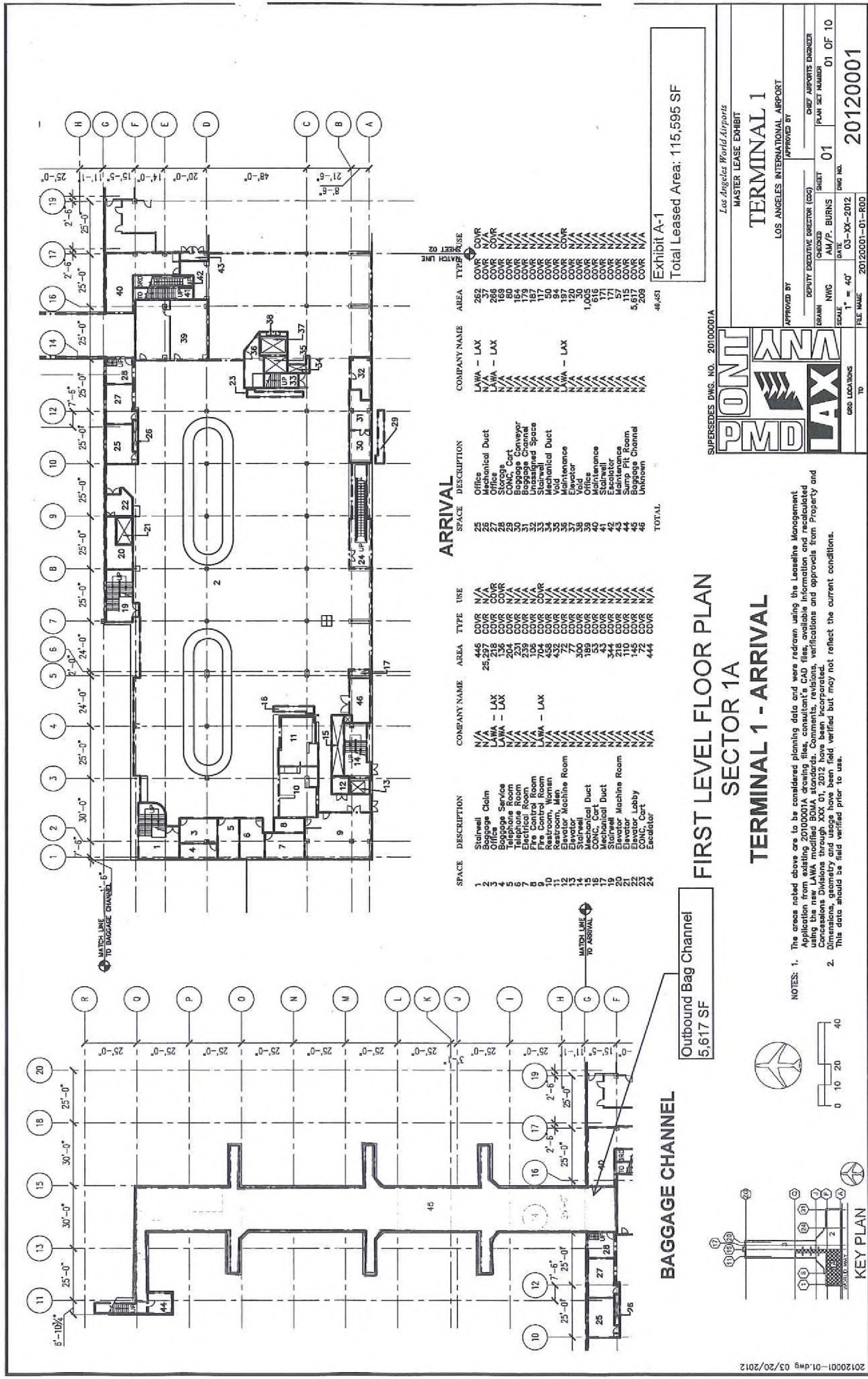
EXHIBIT A

Description of Demised Premises

WN/LAWA Terminal 1

Exhibit A-1

Sheet	Space	Area Description	Lease Commencement
1	45	T1 First Level Outbound Bag Channel	5,617
2	1	T1 First Level Baggage Storage	350
2	2	T1 First Level Bag Claim Office	250
2	3	T1 First Level Bag Claim Office	197
2	4	T1 First Level Baggage Storage	145
2	21	T1 First Level Locker	54
2	Part of 22	T1 First Level Arrival Bag Claim Area	15,561
2	26	T1 First Level Locker	59
2	37	T1 First Level Office	395
3	Part of 24	T1 Second Level Outbound Baggage Area	5,000
4	Part of 1	T1 Second Level Outbound Baggage Area	3,750
4	Part of 1	T1 Second Level Inbound Baggage Area	6,800
4	3	T1 Second Level Baggage Conveyor (oversized)	384
4	16	T1 Second Level Ticket Counter	600
4	17	T1 Second Level Ticketing Office	1,442
4	18	T1 Second Level Conveyor STCAce	132
4	23	T1 Second Level Baggage Conveyor	134
4	24	T1 Second Level Ticketing Office	1,507
4	25	T1 Second Level Ticket Counter	459
4	41	T1 Second Level Office	202
4	Part of 15	T1 Second Level Electronic Ticketing Kiosks	100
5	1	T1 Operations Level Operation Offices	706
5	2	T1 Operations Level Offices/Breakroom/Storage	2,243
5	9	T1 Operations Level Office/Lockers/Storage	2,388
5	10	T1 Operations Level Breakroom	1,229
5	12	T1 Operations Level Storage	989
5	13	T1 Operations Level Offices	908
5	14	T1 Operations Level Offices	563
5	24	T1 Operations Level Restroom	255
5	25	T1 Operations Level Restroom	255
5	26	T1 Operations Level Storage	1,216
5	27	T1 Operations Level Breakroom/Office/Lockers	2,073
5	28	T1 Operations Level Breakroom	243
5	37	T1 Operations Level Training/Conference Room	2,346
5	38	T1 Operations Level Caged Storage	486
5	44	T1 Operations Level Office	475
5	50	T1 Operations Baggage Area	18,810
7	4	T1 Mezzanine Level Office	373
7	5	T1 Mezzanine Level Office	241
7	6	T1 Mezzanine Level Office	273
7	7	T1 Mezzanine Level Office	145
7	8	T1 Mezzanine Level Breakroom	477
7	12	T1 Mezzanine Level Training Room	477
7	14	T1 Mezzanine Level Office	347
7	16	T1 Mezzanine Level Storage	57
7	24	T1 Mezzanine Level Offices	1,019
7	26	T1 Mezzanine Level Conference Room	657
7	28	T1 Mezzanine Level Offices	879
8	39A	T1 Mezzanine Concourse Level Kiosk	120
6	3	T1 Mezzanine Holdroom, Gate 2	2,323
7	36	T1 Mezzanine Holdroom, Gate 1	4,397
8	-	T1 Mezzanine Holdrooms, Concourse	25,487
		Total	115,595



SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE
1	Stairwell	N/A	445	COVER	N/A
2	Stairwell	N/A	28	COVER	N/A
3	Stairwell	N/A	207	COVER	N/A
4	Stairwell	N/A	218	COVER	N/A
5	Stairwell	N/A	236	COVER	N/A
6	Stairwell	N/A	306	COVER	N/A
7	Stairwell	N/A	201	COVER	N/A
8	Stairwell	N/A	239	COVER	N/A
9	Stairwell	N/A	31	COVER	N/A
10	Stairwell	N/A	239	COVER	N/A
11	Stairwell	N/A	704	COVER	N/A
12	Stairwell	N/A	458	COVER	N/A
13	Stairwell	N/A	432	COVER	N/A
14	Stairwell	N/A	77	COVER	N/A
15	Stairwell	N/A	300	COVER	N/A
16	Stairwell	N/A	153	COVER	N/A
17	Stairwell	N/A	43	COVER	N/A
18	Stairwell	N/A	343	COVER	N/A
19	Stairwell	N/A	218	COVER	N/A
20	Stairwell	N/A	110	COVER	N/A
21	Stairwell	N/A	195	COVER	N/A
22	Stairwell	N/A	145	COVER	N/A
23	Stairwell	N/A	444	COVER	N/A
24	Stairwell	N/A	444	COVER	N/A
25	Office	N/A	25	COVER	N/A
26	Office	N/A	26	COVER	N/A
27	Office	N/A	27	COVER	N/A
28	Office	N/A	28	COVER	N/A
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30	Office	N/A	30	COVER	N/A
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98	Office	N/A	98	COVER	N/A
99	Office	N/A	99	COVER	N/A
100	Office	N/A	100	COVER	N/A

FIRST LEVEL FLOOR PLAN SECTOR 1A TERMINAL 1 - ARRIVAL

Outbound Bag Channel
5,617 SF

BAGGAGE CHANNEL

Exhibit A-1
Total Leased Area: 115,595 SF

- NOTES: 1. The areas noted above are to be considered planning data and were redrawn using the Leasehold Management Application from existing 20100001A drawing files, consultant's CAD files, available information and recalculated using the new LANA modified BOMA standards. Comments, revisions, verifications and approvals from Property and Operations Divisions through 2004 01, 2012 have been incorporated.
2. This data should be field verified but may not reflect the current conditions.

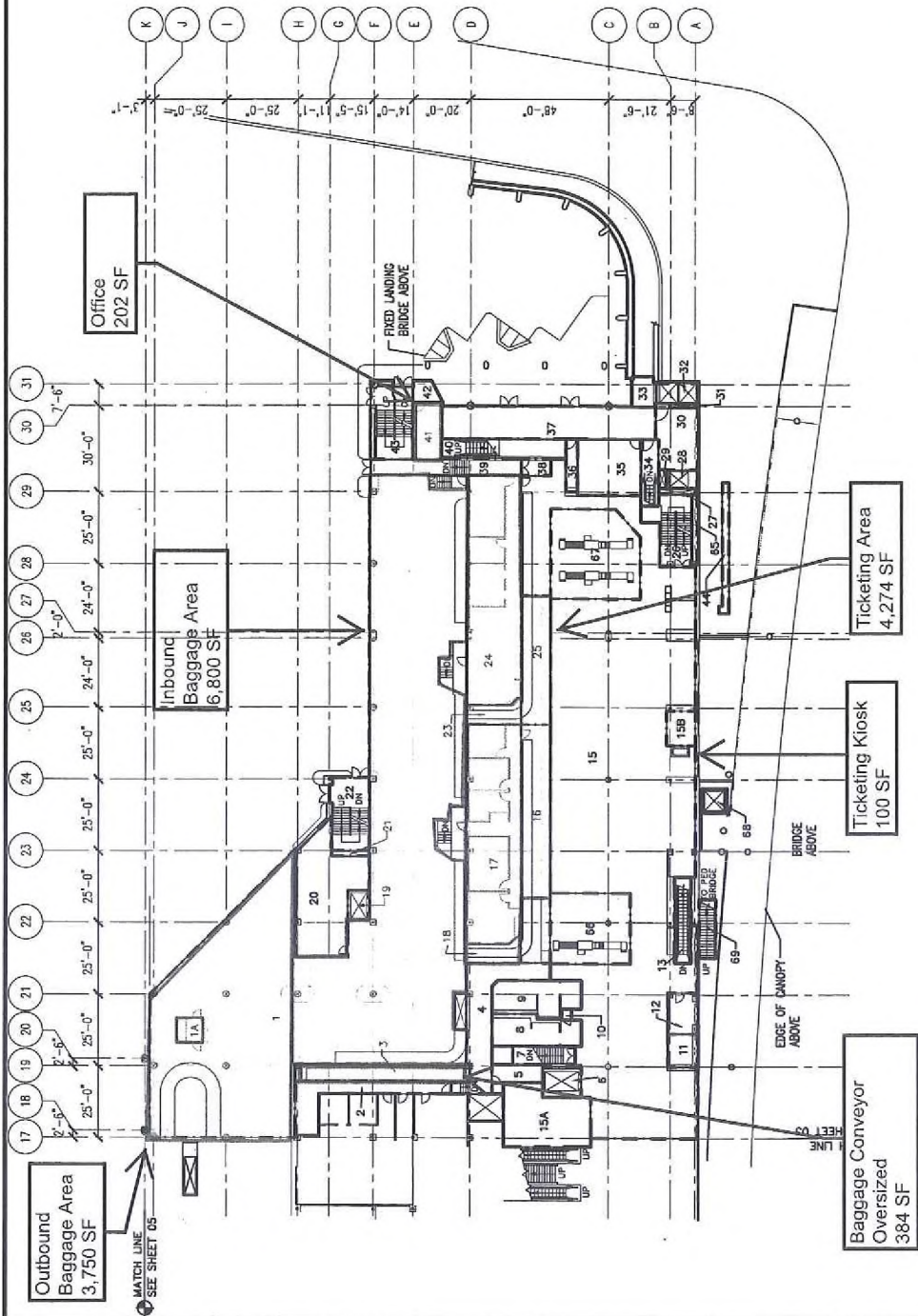
Los Angeles World Airports
MASTER LEASE EXHIBIT
TERMINAL 1

APPROVED BY: [Signature]
LOS ANGELES INTERNATIONAL AIRPORT

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ARCHITECT: [Signature]

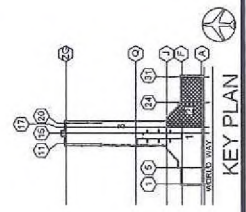
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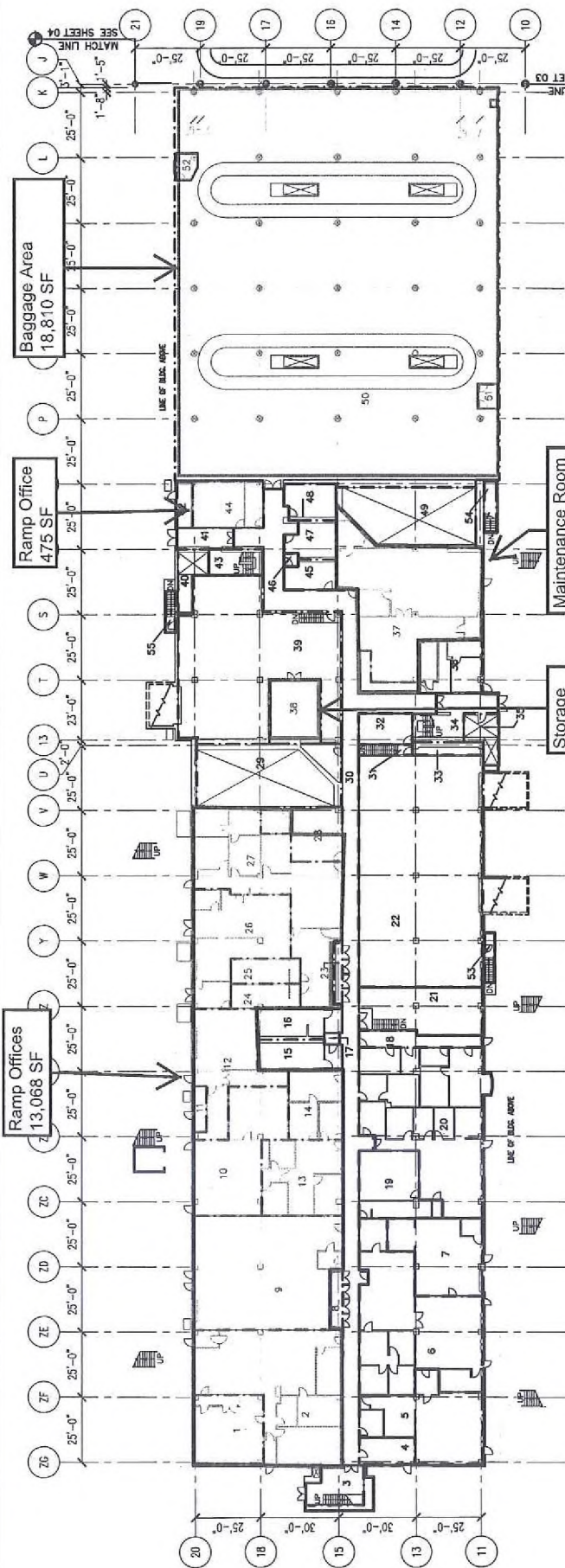


SECOND LEVEL FLOOR PLAN SECTOR 2 TERMINAL 1 - DEPARTURE

NOTES: 1. The areas noted above are to be considered planning data and were redrawn using the Laxline Management Application from existing 20100001A drawing files, consultant's CAD files, available information and recalculated using the new LAX line work. Comments, revisions, verifications and approvals from Property and Construction Management are required for this drawing. 2. Dimensions, geometry and usage have been field verified but may not reflect the current conditions. This data should be field verified prior to use.








SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE
1	Baggage Area	N/A	11,825	COVER	N/A
2	Corridor	N/A	352	COVER	N/A
3	Baggage Conveyor	N/A	350	COVER	N/A
4	Corridor	N/A	127	COVER	N/A
5	Maintenance	N/A	102	COVER	N/A
6	Restroom, Men	N/A	119	COVER	N/A
7	Restroom, Women	N/A	119	COVER	N/A
8	Baggage Conveyor	N/A	147	COVER	N/A
9	Baggage Space	N/A	849	COVER	N/A
10	Corridor	N/A	142	COVER	N/A
11	Corridor	N/A	142	COVER	N/A
12	Corridor	N/A	142	COVER	N/A
13	Corridor	N/A	142	COVER	N/A
14	Corridor	N/A	142	COVER	N/A
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256	Corridor	N/A	142	COVER	N/A
257	Corridor	N/A	142	COVER	N/A</



SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE	SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE
1	Operations Storage	N/A	705	COVER	N/A	20	Office	N/A	2,457	COVER	N/A
2	Office	N/A	2,243	COVER	N/A	21	Electrical	N/A	593	COVER	N/A
3	Office	N/A	2,243	COVER	N/A	22	Telephone Room	N/A	593	COVER	N/A
4	Office	N/A	2,220	COVER	N/A	23	Telephone Room	N/A	4,276	COVER	N/A
5	Mechanical Room	N/A	2,220	COVER	N/A	24	Restroom, Men	N/A	255	COVER	N/A
6	Lockers	N/A	1,152	COVER	N/A	25	Restroom, Women	N/A	255	COVER	N/A
7	Office	N/A	2,194	COVER	N/A	26	Restroom, Men	N/A	255	COVER	N/A
8	Office	N/A	2,194	COVER	N/A	27	Restroom, Women	N/A	255	COVER	N/A
9	Operations Storage	N/A	113	COVER	N/A	28	Office	Southwest Airlines Co	2,073	COVER	COVER
10	Telephone Room	N/A	113	COVER	N/A	29	Office	N/A	531	COVER	N/A
11	Office	N/A	2,356	COVER	N/A	30	Office	N/A	1,253	COVER	N/A
12	Office	Southwest Airlines Co	1,253	COVER	COVER	31	Mechanical Shaft	N/A	1,253	COVER	N/A
13	Mechanical Room	N/A	989	COVER	COVER	32	Skidwell	N/A	3,283	COVER	N/A
14	Office	LAX - LAX	989	COVER	COVER	33	Mechanical Room	N/A	245	COVER	N/A
15	Office	Southwest Airlines Co	908	COVER	COVER	34	Mechanical Shaft	N/A	245	COVER	N/A
16	Restroom, Men	N/A	593	COVER	N/A	35	Mechanical Shaft	N/A	400	COVER	N/A
17	Restroom, Women	N/A	593	COVER	N/A	36	Mechanical Shaft	N/A	207	COVER	N/A
18	Restroom, Men	N/A	570	COVER	N/A	37	Mechanical Shaft	N/A	507	COVER	N/A
19	Restroom, Women	N/A	28	COVER	N/A	38	Mechanical Shaft	N/A	507	COVER	N/A
20	Janitorial	N/A	659	COVER	N/A	39	Storage	N/A	55	COVER	N/A
21	Office	N/A	659	COVER	N/A	40	Storage	N/A	55	COVER	N/A
22	Office	N/A	659	COVER	N/A	41	Storage	N/A	55	COVER	N/A
23	Office	N/A	659	COVER	N/A	42	Storage	N/A	55	COVER	N/A
24	Office	N/A	659	COVER	N/A	43	Storage	N/A	55	COVER	N/A
25	Office	N/A	659	COVER	N/A	44	Storage	N/A	55	COVER	N/A
26	Office	N/A	659	COVER	N/A	45	Storage	N/A	55	COVER	N/A
27	Office	N/A	659	COVER	N/A	46	Storage	N/A	55	COVER	N/A
28	Office	N/A	659	COVER	N/A	47	Storage	N/A	55	COVER	N/A
29	Office	N/A	659	COVER	N/A	48	Storage	N/A	55	COVER	N/A
30	Office	N/A	659	COVER	N/A	49	Storage	N/A	55	COVER	N/A
31	Office	N/A	659	COVER	N/A	50	Storage	N/A	55	COVER	N/A
32	Office	N/A	659	COVER	N/A	51	Storage	N/A	55	COVER	N/A
33	Office	N/A	659	COVER	N/A	52	Storage	N/A	55	COVER	N/A
34	Office	N/A	659	COVER	N/A	53	Storage	N/A	55	COVER	N/A
35	Office	N/A	659	COVER	N/A	54	Storage	N/A	55	COVER	N/A
36	Office	N/A	659	COVER	N/A	55	Storage	N/A	55	COVER	N/A
37	Office	N/A	659	COVER	N/A	56	Storage	N/A	55	COVER	N/A
38	Office	N/A	659	COVER	N/A	57	Storage	N/A	55	COVER	N/A
39	Office	N/A	659	COVER	N/A	58	Storage	N/A	55	COVER	N/A
40	Office	N/A	659	COVER	N/A	59	Storage	N/A	55	COVER	N/A
41	Office	N/A	659	COVER	N/A	60	Storage	N/A	55	COVER	N/A
42	Office	N/A	659	COVER	N/A	61	Storage	N/A	55	COVER	N/A
43	Office	N/A	659	COVER	N/A	62	Storage	N/A	55	COVER	N/A
44	Office	N/A	659	COVER	N/A	63	Storage	N/A	55	COVER	N/A
45	Office	N/A	659	COVER	N/A	64	Storage	N/A	55	COVER	N/A
46	Office	N/A	659	COVER	N/A	65	Storage	N/A	55	COVER	N/A
47	Office	N/A	659	COVER	N/A	66	Storage	N/A	55	COVER	N/A

**Ramp Level Offices
Maintenance Room
16,375 SF**

 		 			
SUPERSEDES DWG. NO. 20100001A		Los Angeles World Airports MASTER LEASE EXHIBIT <h1>TERMINAL 1</h1>			
APPROVED BY _____ _____		LOS ANGELES INTERNATIONAL AIRPORT APPROVED BY _____ _____			
DOBAIN NING SCALE 1" = 40' FILE NAME		CHECKED NING DATE 03-XX-2012		SHEET 05 PLAN SET NUMBER 05 OF 10	
CRD LOCATIONS TO		CRD AIRPORTS DRAWING 20120001-05-R00			

SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE
1	Stairwell	N/A	321	COVER	N/A
2	Mechanical Room	N/A	132	COVER	N/A
3	Gate Appandage	N/A	2439	COVER	N/A
4	Restroom, Women	N/A	156	COVER	N/A
5	Restroom, Men	N/A	156	COVER	N/A
6	Restroom, Men	N/A	119	COVER	N/A
7	Fire Control Room	N/A	222	COVER	N/A
8	Lobby	N/A	144	COVER	N/A
9	Void	N/A	118	COVER	N/A
10	Corridor	N/A	274	COVER	N/A
11	Stairwell	N/A	118	COVER	N/A
12	Stairwell	N/A	65	COVER	N/A
13	Stairwell	N/A	4127	COVER	N/A
14	Lounge	N/A	320	COVER	N/A
15	Restroom, Men	N/A	402	COVER	N/A
16	Restroom, Women	N/A	433	COVER	N/A
17	Maintenance	N/A	60	COVER	N/A
18	Stairwell	N/A	336	COVER	N/A
19	Void	N/A	102	COVER	N/A
20	Void	N/A	356	COVER	N/A
21	Void	N/A	4563	COVER	N/A
22	Office	N/A	141	COVER	N/A
23	Office	N/A	4949	COVER	N/A
24	Office	N/A	533	COVER	N/A
25	Office	N/A	52	COVER	N/A
26	Office	N/A	3252	COVER	N/A
27	Office	N/A	3226	COVER	N/A
28	Office	N/A	141	COVER	N/A
29	Office	N/A	700	COVER	N/A
30	Office	N/A	851	COVER	N/A
31	Office	N/A	368	COVER	N/A
32	Office	N/A	37452	COVER	N/A

SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE
33	Stairwell	N/A	321	COVER	N/A
34	Mechanical Room	N/A	132	COVER	N/A
35	Gate Appandage	N/A	2439	COVER	N/A
36	Restroom, Women	N/A	156	COVER	N/A
37	Restroom, Men	N/A	156	COVER	N/A
38	Fire Control Room	N/A	222	COVER	N/A
39	Lobby	N/A	144	COVER	N/A
40	Void	N/A	118	COVER	N/A
41	Corridor	N/A	274	COVER	N/A
42	Stairwell	N/A	118	COVER	N/A
43	Stairwell	N/A	65	COVER	N/A
44	Lounge	N/A	4127	COVER	N/A
45	Restroom, Men	N/A	320	COVER	N/A
46	Restroom, Women	N/A	402	COVER	N/A
47	Maintenance	N/A	433	COVER	N/A
48	Stairwell	N/A	60	COVER	N/A
49	Void	N/A	336	COVER	N/A
50	Void	N/A	102	COVER	N/A
51	Void	N/A	356	COVER	N/A
52	Office	N/A	4563	COVER	N/A
53	Office	N/A	141	COVER	N/A
54	Office	N/A	4949	COVER	N/A
55	Office	N/A	533	COVER	N/A
56	Office	N/A	52	COVER	N/A
57	Office	N/A	3252	COVER	N/A
58	Office	N/A	3226	COVER	N/A
59	Office	N/A	141	COVER	N/A
60	Office	N/A	700	COVER	N/A
61	Office	N/A	851	COVER	N/A
62	Office	N/A	368	COVER	N/A
63	Office	N/A	37452	COVER	N/A

SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE
64	Stairwell	N/A	321	COVER	N/A
65	Mechanical Room	N/A	132	COVER	N/A
66	Gate Appandage	N/A	2439	COVER	N/A
67	Restroom, Women	N/A	156	COVER	N/A
68	Restroom, Men	N/A	156	COVER	N/A
69	Fire Control Room	N/A	222	COVER	N/A
70	Lobby	N/A	144	COVER	N/A
71	Void	N/A	118	COVER	N/A
72	Corridor	N/A	274	COVER	N/A
73	Stairwell	N/A	118	COVER	N/A
74	Stairwell	N/A	65	COVER	N/A
75	Lounge	N/A	4127	COVER	N/A
76	Restroom, Men	N/A	320	COVER	N/A
77	Restroom, Women	N/A	402	COVER	N/A
78	Maintenance	N/A	433	COVER	N/A
79	Stairwell	N/A	60	COVER	N/A
80	Void	N/A	336	COVER	N/A
81	Void	N/A	102	COVER	N/A
82	Void	N/A	356	COVER	N/A
83	Office	N/A	4563	COVER	N/A
84	Office	N/A	141	COVER	N/A
85	Office	N/A	4949	COVER	N/A
86	Office	N/A	533	COVER	N/A
87	Office	N/A	52	COVER	N/A
88	Office	N/A	3252	COVER	N/A
89	Office	N/A	3226	COVER	N/A
90	Office	N/A	141	COVER	N/A
91	Office	N/A	700	COVER	N/A
92	Office	N/A	851	COVER	N/A
93	Office	N/A	368	COVER	N/A
94	Office	N/A	37452	COVER	N/A

SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE
95	Stairwell	N/A	321	COVER	N/A
96	Mechanical Room	N/A	132	COVER	N/A
97	Gate Appandage	N/A	2439	COVER	N/A
98	Restroom, Women	N/A	156	COVER	N/A
99	Restroom, Men	N/A	156	COVER	N/A
100	Fire Control Room	N/A	222	COVER	N/A
101	Lobby	N/A	144	COVER	N/A
102	Void	N/A	118	COVER	N/A
103	Corridor	N/A	274	COVER	N/A
104	Stairwell	N/A	118	COVER	N/A
105	Stairwell	N/A	65	COVER	N/A
106	Lounge	N/A	4127	COVER	N/A
107	Restroom, Men	N/A	320	COVER	N/A
108	Restroom, Women	N/A	402	COVER	N/A
109	Maintenance	N/A	433	COVER	N/A
110	Stairwell	N/A	60	COVER	N/A
111	Void	N/A	336	COVER	N/A
112	Void	N/A	102	COVER	N/A
113	Void	N/A	356	COVER	N/A
114	Office	N/A	4563	COVER	N/A
115	Office	N/A	141	COVER	N/A
116	Office	N/A	4949	COVER	N/A
117	Office	N/A	533	COVER	N/A
118	Office	N/A	52	COVER	N/A
119	Office	N/A	3252	COVER	N/A
120	Office	N/A	3226	COVER	N/A
121	Office	N/A	141	COVER	N/A
122	Office	N/A	700	COVER	N/A
123	Office	N/A	851	COVER	N/A
124	Office	N/A	368	COVER	N/A
125	Office	N/A	37452	COVER	N/A

SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE
126	Stairwell	N/A	321	COVER	N/A
127	Mechanical Room	N/A	132	COVER	N/A
128	Gate Appandage	N/A	2439	COVER	N/A
129	Restroom, Women	N/A	156	COVER	N/A
130	Restroom, Men	N/A	156	COVER	N/A
131	Fire Control Room	N/A	222	COVER	N/A
132	Lobby	N/A	144	COVER	N/A
133	Void	N/A	118	COVER	N/A
134	Corridor	N/A	274	COVER	N/A
135	Stairwell	N/A	118	COVER	N/A
136	Stairwell	N/A	65	COVER	N/A
137	Lounge	N/A	4127	COVER	N/A
138	Restroom, Men	N/A	320	COVER	N/A
139	Restroom, Women	N/A	402	COVER	N/A
140	Maintenance	N/A	433	COVER	N/A
141	Stairwell	N/A	60	COVER	N/A
142	Void	N/A	336	COVER	N/A
143	Void	N/A	102	COVER	N/A
144	Void	N/A	356	COVER	N/A
145	Office	N/A	4563	COVER	N/A
146	Office	N/A	141	COVER	N/A
147	Office	N/A	4949	COVER	N/A
148	Office	N/A	533	COVER	N/A
149	Office	N/A	52	COVER	N/A
150	Office	N/A	3252	COVER	N/A
151	Office	N/A	3226	COVER	N/A
152	Office	N/A	141	COVER	N/A
153	Office	N/A	700	COVER	N/A
154	Office	N/A	851	COVER	N/A
155	Office	N/A	368	COVER	N/A
156	Office	N/A	37452	COVER	N/A

SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE
157	Stairwell	N/A	321	COVER	N/A
158	Mechanical Room	N/A	132	COVER	N/A
159	Gate Appandage	N/A	2439	COVER	N/A
160	Restroom, Women	N/A	156	COVER	N/A
161	Restroom, Men	N/A	156	COVER	N/A
162	Fire Control Room	N/A	222	COVER	N/A
163	Lobby	N/A	144	COVER	N/A
164	Void	N/A	118	COVER	N/A
165	Corridor	N/A	274	COVER	N/A
166	Stairwell	N/A	118	COVER	N/A
167	Stairwell	N/A	65	COVER	N/A
168	Lounge	N/A	4127	COVER	N/A
169	Restroom, Men	N/A	320	COVER	N/A
170	Restroom, Women	N/A	402	COVER	N/A
171	Maintenance	N/A	433	COVER	N/A
172	Stairwell	N/A	60	COVER	N/A
173	Void	N/A	336	COVER	N/A
174	Void	N/A	102	COVER	N/A
175	Void	N/A	356	COVER	N/A
176	Office	N/A	4563	COVER	N/A
177	Office	N/A	141	COVER	N/A
178	Office	N/A	4949	COVER	N/A
179	Office	N/A	533	COVER	N/A
180	Office	N/A	52	COVER	N/A
181	Office	N/A	3252	COVER	N/A
182	Office	N/A	3226	COVER	N/A
183	Office	N/A	141	COVER	N/A
184	Office	N/A	700	COVER	N/A
185	Office	N/A	851	COVER	N/A
186	Office	N/A	368	COVER	N/A
187	Office	N/A	37452	COVER	N/A

SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE
188	Stairwell	N/A	321	COVER	N/A
189	Mechanical Room	N/A	132	COVER	N/A
190	Gate Appandage	N/A	2439	COVER	N/A
191	Restroom, Women	N/A	156	COVER	N/A
192	Restroom, Men	N/A	156	COVER	N/A
193	Fire Control Room	N/A	222	COVER	N/A
194	Lobby	N/A	144	COVER	N/A
195	Void	N/A	118	COVER	N/A
196	Corridor	N/A	274	COVER	N/A
197	Stairwell	N/A	118	COVER	N/A
198	Stairwell	N/A	65	COVER	N/A
199	Lounge	N/A	4127	COVER	N/A
200	Restroom, Men	N/A	320	COVER	N/A
201	Restroom, Women	N/A	402	COVER	N/A
202	Maintenance	N/A	433	COVER	N/A
203	Stairwell	N/A	60	COVER	N/A
204	Void	N/A	336	COVER	N/A
205	Void	N/A	102	COVER	N/A
206	Void	N/A	356	COVER	N/A
207	Office	N/A	4563	COVER	N/A
208	Office	N/A	141	COVER	N/A
209	Office	N/A	4949	COVER	N/A
210	Office	N/A	533	COVER	N/A
211	Office	N/A	52	COVER	N/A
212	Office	N/A	3252	COVER	N/A
213	Office	N/A	3226	COVER	N/A
214	Office	N/A	141	COVER	N/A
215	Office	N/A	700	COVER	N/A
216	Office	N/A	851	COVER	N/A
217	Office	N/A	368	COVER	N/A
218	Office	N/A	37452	COVER	N/A

SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE
219	Stairwell	N/A	321	COVER	N/A
220	Mechanical Room	N/A	132	COVER	N/A
221	Gate Appandage	N/A	2439	COVER	N/A
222	Restroom, Women	N/A	156	COVER	N/A
223	Restroom, Men	N/A	156	COVER	N/A
224	Fire Control Room	N/A	222	COVER	N/A
225	Lobby	N/A	144	COVER	N/A
226	Void	N/A	118	COVER	N/A
227	Corridor	N/A	274	COVER	N/A
228	Stairwell	N/A	118	COVER	N/A
229	Stairwell	N/A	65	COVER	N/A
230	Lounge	N/A	4127	COVER	N/A
231	Restroom, Men	N/A	320	COVER	N/A
232	Restroom, Women	N/A	402	COVER	N/A
233	Maintenance	N/A	433	COVER	N/A
234	Stairwell	N/A	60	COVER	N/A
235	Void	N/A	336	COVER	N/A
236	Void	N/A	102	COVER	N/A
237	Void	N/A	356	COVER	N/A
238	Office	N/A	4563	COVER	N/A
239	Office	N/A	141	COVER	N/A
240	Office	N/A	4949	COVER	N/A
241	Office	N/A	533	COVER	N/A
242	Office	N/A	52	COVER	N/A
243	Office	N/A	3252	COVER	N/A
244	Office	N/A	3226	COVER	N/A
245	Office	N/A	141	COVER	N/A
246	Office	N/A	700	COVER	N/A
247	Office	N/A	851	COVER	N/A
248	Office	N/A	368	COVER	N/A
249	Office	N/A	37452	COVER	N/A

SPACE	DESCRIPTION	COMPANY NAME	AREA	TYPE	USE
250	Stairwell	N/A	321	COVER	N/A
251	Mechanical Room	N/A	132	COVER	N/A
252	Gate Appandage	N/A	2439	COVER	N/A
253	Restroom, Women	N/A	156	COVER	N/A
254	Restroom, Men	N/A	156	COVER	N/A
255	Fire Control Room	N/A	222	COVER	N/A

EXHIBIT A-2

	Lease Commencement	Project Completion	Variance	Comments
Baggage Claim Area and Baggage Claim Office	17,011	16,243	768	Southwest will be leasing West Side at Completion, which is smaller (sqft) than the East Side
Airline Ticket Office	3,151	500	2,651	Planned reduction in office space requirement
Ticketing Counter	1,059	1,059	-	
Airline Baggage Matrix	-	15,561	(15,561)	SWA will lease the new CBIS area
Ticketing Mezzanine Offices	4,945	4,945	-	
Outbound Baggage Make-up	27,560	18,810	8,750	3rd baggage make-up carousel will be demolished, and used as temporary screening during construction and will be available at project completion for storage or LAWA maintenance
Outbound Bag Channel	5,617	5,617	-	
Inbound Baggage Area	6,800	6,800	-	
Baggage Conveyor - Oversized	384	384	-	
Baggage Conveyor	266	266	-	
Ramp Level Offices	16,375	16,375	-	
Kiosk in Holdroom	120	120	-	
Kiosk in Ticketing Area	100	100	-	
Holdrooms 1, 2, 3, 4b, 5, 7, 9, 10, 11, 12, 13 & 14	32,207	30,000	2,207	Holdrooms are planned to be 2,500 sqft. Each with excess sqft available for concessions program
TOTAL SQUARE FEET OF SPACE	115,595	116,780	(1,185)	

Exhibit A-4

Preferential-Use Gates as of the Commencement Date

- Gate 1
- Gate 2
- Gate 3
- Gate 4B
- Gate 5
- Gate 7
- Gate 9
- Gate 10
- Gate 11
- Gate 12
- Gate 13
- Gate 14

EXHIBIT B

Letter of Assent

LETTER OF ASSENT

[To be signed by all Contractors Undertaking Work on the Terminal 1 Southwest Airlines Improvement (Tenant Project) and covered by the Los Angeles World Airports Project Labor Agreement.]

(Contractor Letterhead)

c/o Parsons Constructors Inc.
100 West Walnut Street
Pasadena, California 91124
Attn: Jessica Jones

Re: Los Angeles International Airport Project
Labor Agreement – Letter of Assent

Dear Sir:

This is to confirm that (Name of Company) agrees to be a party to and bound by the Los Angeles International Airport Project Labor Agreement (the "Agreement") as entered into by and between Parsons Constructors Inc., its successors or assignees, and the Building and Construction Trades Department, AFL-CIO and other Building and Construction Trades Councils and signatory unions, dated November 19, 1999, as such agreement may, from time to time, be amended by the negotiating parties or interpreted pursuant to its terms.

Such obligation to be a party to and bound by this Agreement shall extend to all construction work undertaken by this Company pursuant to Construction Contract No. ____, issued to this Company for work on the Terminal 1 Southwest Airlines Improvement (Tenant Project). This Company shall require all its subcontractors, of whatever tier, to be similarly bound for all their construction work within the Scope of the Agreement by signing an identical Letter of Assent.

Sincerely,

(Name of Construction Company)

By:

(Name of Title of Authorized Executive)

Cc: City of Los Angeles, Department of Airports

(Copies of this Letter will be available for inspection or copying on request of the Union).

EXHIBIT C

Rate Methodology

**RATES AND CHARGES FOR THE USE OF TERMINAL FACILITIES
AT LOS ANGELES INTERNATIONAL AIRPORT
PURSUANT TO THE
LOS ANGELES INTERNATIONAL AIRPORT PASSENGER TERMINAL TARIFF,
AS IT MAY BE AMENDED FROM TIME TO TIME**

The following rates and charges methodology for the use of passenger terminals (the "Terminals") at Los Angeles International Airport (the "Airport") by Aeronautical Users subject to the Los Angeles International Airport Passenger Terminal Tariff (the "Tariff"), is established by the City of Los Angeles (the "City"), acting by and through the Board of Airport Commissioners (the "Board") of the Los Angeles World Airports ("LAWA"), under the City of Los Angeles City Charter and Administrative Code, §§ 630 et seq.

Section 1. Definitions. As used in this document, the terms identified in this section shall have the meanings indicated unless the context clearly indicates otherwise. Additional words and phrases used in this document shall have the meanings set forth in the Tariff or, if not so set forth, shall have their usual and customary meaning.

"AAAC" shall mean the Airline Airport Affairs Committee.

"Aeronautical User" shall mean an Airline or any other Person engaged in an activity that involves, makes possible or is required for the safety of, or is otherwise directly related to, the operation of aircraft and includes providers of services related directly and substantially to the movement of passengers, baggage, mail and cargo on the Airport, but does not include any government or political subdivision thereof or a governmental agency.

"Airline" shall mean an Air Carrier or Foreign Air Carrier as defined in 49 U.S.C. §§ 40102(a)(2) and (a)(21), respectively.

"Capital Costs" shall mean all capital costs of the Airport, including the following:

- (a) Debt service (net of PFC's) allocable to bond-funded Capital Improvements.
- (b) Debt service coverage allocated in accordance with stated bond covenant requirements (currently 1.25 for senior debt obligations and 1.15 for subordinate debt obligations).
- (c) Amortization allocable to Capital Improvements funded with airport revenue, based on the economic life for each Capital Improvement and calculated using an interest rate set to equal the average all-in cost of Airport debt sold by LAWA during the calendar year when such Capital Improvement is put in service or, if no Airport debt was sold, set to equal comparable published average borrowing costs.

"Capital Improvement" shall mean any improvement or item or related group of items acquired, purchased, leased or constructed to improve, maintain or develop the Airport, as well as any extraordinary or substantial expenditure whose object is to preserve, enhance or protect the Airport that, in accordance with generally accepted accounting principles consistently applied, is capitalized by LAWA.

"Common Use Areas," previously referred to as "Joint Use Areas" under the Tariff, shall mean the space in any Terminal designated by the Executive Director to be used in common by one or more Airlines or otherwise benefitting one or more Airlines for operations and include, without limitation, Common Use Holdrooms, Common Use Ticket Counters, Common Use Baggage Claim Areas and Common Use Outbound Baggage System Areas.

"Common Use Baggage Claim Areas" shall mean the space in any Terminal (excluding the FIS Areas) designated by the Executive Director to be used in common with other Airlines for the delivery of inbound baggage to arriving passengers, including the baggage recheck areas and the areas where Common Use Baggage Claim Systems are located.

"Common Use Baggage Claim System" shall mean equipment that delivers inbound baggage to arriving passengers.

"Common Use Holdrooms" shall mean the space in any Terminal designated by the Executive Director to be used in common with other Airlines for passenger holdrooms and gate areas.

"Common Use Loading Bridge" shall mean a passenger loading bridge and related equipment owned by LAWA.

"Common Use Outbound Baggage System" shall mean equipment that sorts outbound baggage for delivery to departing aircraft.

"Common Use Outbound Baggage System Areas" shall mean the space in any Terminal designated by the Executive Director to be used in common with other Airlines for the sorting of outbound baggage for delivery to departing aircraft and includes the areas where Common Use Outbound Baggage Systems are located.

"Common Use Ticket Counters" shall mean the space in any Terminal designated by the Executive Director to be used in common with other Airlines for ticket counters and associated queuing space.

"Deplaned Domestic Passengers" shall mean the actual number of passengers, not including the flight crew, disembarking from a domestic flight at the Terminals and shall include passengers clearing customs and immigration in the country that his or her flight originated from, disembarking from an international flight at the Terminals.

"Deplaned International Passengers" shall mean the actual number of passengers, not including the flight crew or passengers clearing customs and immigration in the country that his or her flight originated from, disembarking from an international flight at the Terminals.

"Enplaned Passengers" shall mean the actual number of passengers, not including the flight crew or international in-transit passengers, but including both originating and connecting passengers, embarking on a flight at the Terminals.

"Executive Director" shall mean the Executive Director of the Department of Airports of the City of Los Angeles, California, or his or her designee.

"Fiscal Year" shall mean the twelve (12) month period beginning July 1 of any year and ending June 30 of the following year or any other period adopted by LAWA for its financial affairs.

"FIS Areas," previously referred to as the "International Joint Use Areas" under the Tariff, shall mean the space in the Terminals designated by the Executive Director to be used in common with other Airlines for federal inspection services (including sterile corridors, customs areas, baggage service areas, customs baggage claim areas, cashier areas, interline baggage areas, immigration inspection areas, storage areas, locker areas, federal inspection service swing areas, conference room areas and registration areas), offices for federal agencies, restrooms included in or adjacent to the foregoing areas, transit lounge space and other in transit facilities for international passengers.

"New Rate Methodology" shall mean the rate methodology set forth in this document.

"Operations and Maintenance Expenses," previously referred to as "Terminal Expenses" under the Tariff, shall mean the total operations and maintenance expenses of the Airport.

"Passenger Facility Charges" or "PFC's" shall mean passenger facility charges remitted to LAWA under 49 U.S.C. § 40117 and 14 C.F.R. Part 158 as they may be amended from time to time.

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

"Public Area" shall mean sidewalks, concourses, corridors, lobbies, passageways, restrooms, elevators, escalators and other similar space made available by LAWA from time to time for use by passengers, LAWA and Airline employees and other members of the public, as designated by the Executive Director.

"Rentable Area," previously referred to as "Measured Area" under the Tariff, shall mean any areas in the Terminals that are available for use by Airlines, other Aeronautical Users, concessionaires or LAWA or other governmental users on an exclusive, common or preferential use basis, as designated by the Executive Director. Rentable Area does not include any areas that are located outside the Terminals nor does Rentable Area include any space (such as security

checkpoints) used by federal governmental agencies (such as Customs and Border Patrol or the Transportation Security Administration) or local law enforcement agencies to carry out their operations at the Airport.

"Reserve Deposits" shall mean the amounts deposited to funds and accounts for operations and maintenance reserves, to satisfy debt service reserve requirements, and similar expense reserves under the terms of any applicable bond covenants or as required by the Los Angeles City Charter.

"Terminals" shall mean all of the airline passenger terminals at the Airport except for Terminal 4 unless and until all Airlines using Terminal 4 are subject to the New Rate Methodology.

"Terminal Airline Support Systems" shall mean an information technology system, used to allocate terminal resources (gates, stands, ticket counters, baggage carousels, bag sortation piers, flight information displays, gate information displays, and public address systems) to assist Airlines with passenger processing.

"Turn" shall mean the active arrival and departure of an aircraft from a gate (including a remote gate) and may be measured in halves. The movement of an empty aircraft to or from a gate shall not constitute half a "Turn."

Section 2. Calculation of Rate and Charges for Airlines.

2.1. Generally.

2.1.1. An Airline using any space or equipment in the Terminals pursuant to the Tariff shall be subject to the rates and charges set forth in this Section 2. There are two kinds of rates and charges set forth in this Section: equalized charges for all of the Terminals (described in Sections 2.2 through 2.7 below) and Terminal Special Charges (described in Section 2.8 below), assessed for the use of certain space or equipment in certain Terminals, for the recovery of certain types of Capital Costs or Operations and Maintenance Expenses that are not incurred by LAWA in all of the Terminals and not recovered from the Airlines through the equalized rates and charges. In calculating the Terminal Buildings Requirement, the FIS Requirement and Terminal Special Charges, as set forth below, LAWA shall exclude any cost (net of the cost of collection) that (a) has been reimbursed or covered by government grants or PFC's, (b) has been reimbursed or covered by any insurance recovery, condemnation proceeds or other third-party payment, or (c) has been reimbursed or is required to be reimbursed to LAWA by an individual Airline under the Tariff in connection with projects undertaken by LAWA at the request and for the benefit of an individual Airline. Illustrative calculations displaying how rates and charges will be calculated under this methodology are attached as Exhibit A through Exhibit G-5.

2.1.2. Airline Consultations on Proposed Rates and Charges. No later than November 1 of each year, the Executive Director shall provide each Airline

then currently using space at the Airport with a complete copy of the then proposed rates and charges, calculated in accordance with this Section 2, for the succeeding calendar year. The Executive Director shall, upon request by any such Airline, consult with such Airlines concerning the then proposed rates and charges. No later than December 1 of each year, the Executive Director shall make any revisions to the proposed rates and charges as the Executive Director determines, in his or her sole discretion, to be warranted as a result of consultation with the Airlines or otherwise, and shall provide written notice to each Airline then currently using space at the Airport of new rates and charges to be effective on January 1 of the following calendar year. A copy of such written notice shall be filed with the secretary of the Board.

2.2. Calculation of the Terminal Buildings Rate. Each year LAWA shall calculate the estimated Terminal Buildings Rate for the next calendar year as follows:

2.2.1. The Terminal Buildings Requirement shall be computed as the total of (i) the Unified Capital Requirement and (ii) the Operations and Maintenance Requirement.

(a) Calculation of the Unified Capital Requirement. Each year LAWA shall calculate the Unified Capital Requirement by totaling all budgeted Capital Costs allocable to the Terminals (excluding the FIS Areas) for the following calendar year.

(b) Calculation of Operations and Maintenance Requirement. Each year LAWA shall calculate the Operations and Maintenance Requirement by totaling the actual Operations and Maintenance Expenses and Reserve Deposits (if any) allocable to the Terminals (excluding the FIS Areas) for the immediately preceding Fiscal Year.

The allocation method for Capital Costs and Operations and Maintenance Expenses is outlined in attached Appendix 1.

2.2.2. The estimated Terminal Buildings Rate shall then be calculated by dividing the Terminal Building Requirement by the estimated total amount of Rentable Area. LAWA may use the actual amount of Rentable Area in the immediately preceding Fiscal Year in calculating the estimated Terminal Buildings Rate.

2.3. Calculation of the FIS Rate. Each year LAWA shall calculate the estimated FIS Rate for the next calendar year as follows:

2.3.1. The estimated Gross FIS Requirement shall be computed as the total of (i) all budgeted Capital Costs allocable to the FIS Areas for the following calendar year and (ii) the actual Operations and Maintenance Expenses and

Reserve Deposits (if any) allocable to the FIS Areas for the immediately preceding Fiscal Year.

2.3.2. From the estimated Gross FIS Requirement, LAWA shall deduct the amounts of any estimated revenue from the rental of space in the FIS Areas to governmental agencies to yield the Net FIS Requirement.

2.3.3. The estimated FIS Rate shall then be calculated by dividing the Net FIS Requirement by the estimated total annual number of Deplaned International Passengers. LAWA may use the actual number of Deplaned International Passengers in the immediately preceding Fiscal Year in calculating the estimated FIS Rate.

2.4. Calculation of Common Use Holdroom Rate. Each year LAWA shall calculate the estimated Common Use Holdroom Rate for the next calendar year as follows:

2.4.1. The estimated Holdroom Requirement shall be computed as the product of the Terminal Buildings Rate and the total square footage of all Common Use Holdrooms in the Terminals.

2.4.2. LAWA shall then calculate six separate Common Use Holdroom Rates for use of Common Use Holdrooms by the six different classes of aircraft shown in the table below.

Aircraft Class					
1	2	3	4	5	6
A380	747	A340 A330 B777 A350 MD-11 IL-96	B757-300 B767 B787	B717 A318 A319 A320 A321 MD (DC) All B737 757-200	All others having 100 seats or less

The charges for use of Common Use Holdrooms by aircraft within each of these classes shall bear the following relativities to each other:

Relative Charge per Turn

Class 1:	3.00x
Class 2:	2.00x
Class 3:	1.50x
Class 4:	1.25x
Class 5:	1.00x
Class 6:	0.75x

For rate-setting purposes, the charges per Turn for each of these six classes of aircraft will be calculated so that expected aggregate Common Use Holdroom charges equal the Common Use Holdroom Requirement.

2.4.3. New Types of Aircraft. If any Airline begins to serve the Airport with types of aircraft not shown in the table in Section 2.4.2, LAWA shall provide written notice ("New Aircraft Notice") to the AAAC to solicit a recommendation from the AAAC as to the proper classification of such new aircraft types for rate-setting purposes. If the AAAC wishes to make such a recommendation, it shall do so in writing within thirty (30) days following the New Aircraft Notice. LAWA shall consider any such recommendation and then, in its sole discretion, shall reasonably determine whether to (a) assign such new aircraft to a new class with a different specified relativity or (b) include it in one of the existing aircraft classes under Section 2.4.2. LAWA shall provide written notice to the AAAC of its determination of how such new aircraft will be classified for rate-setting purposes, and thereafter the calculations of relative charges per Turn under Section 2.4.2 shall reflect any such classification.

2.5. Calculation of Common Use Baggage Claim System Rate. Each year LAWA shall calculate the estimated Common Use Baggage Claim System Rate for the next calendar year as follows:

2.5.1. The estimated Common Use Baggage Claim Requirement shall be computed as the product of the Terminal Buildings Rate and the total square footage of all Common Use Baggage Claim Areas in the Terminals.

2.5.2. The estimated Common Use Baggage Claim System Rate shall then be calculated by dividing the Baggage Claim Requirement by the estimated total annual number of Deplaned Domestic Passengers of Airlines using Common Use Baggage Claim Systems in any of the Terminals. LAWA may use the actual number of Deplaned Domestic Passengers of Airlines using Common Use Baggage Claim Systems in the immediately preceding Fiscal Year in calculating the estimated Common Use Baggage Claim Rate.

2.6. Calculation of Common Use Outbound Baggage System Rate. Each year LAWA shall calculate the estimated Common Use Outbound Baggage System Rate for the next calendar year as follows:

2.6.1. The estimated Common Use Outbound Baggage System Requirement shall be computed as the product of the Terminal Buildings Rate and the total square footage of all Common Use Outbound Baggage System Areas in the Terminals, less any credit for revenue generated by fees imposed under Section 2.6.3.

2.6.2. The estimated Common Use Outbound Baggage System Rate shall then be calculated by dividing the estimated Common Use Outbound Baggage System Requirement by the estimated total annual number of Enplaned Passengers of Airlines using the Common Use Outbound Baggage System Areas in all of the Terminals. LAWA may use the actual number of Enplaned Passengers of Airlines using the Common Use Outbound Baggage System Areas in the immediately preceding Fiscal Year in calculating the estimated Outbound Baggage System Rate.

2.6.3. LAWA may also establish a reasonable fee to be charged to Airlines that use a portion of an outbound baggage system owned or leased by another Airline and pay a fee for such use to such other Airline and also use baggage make-up devices owned by LAWA. The revenue, if any, generated by such a fee shall be credited against the Common Use Outbound Baggage System Requirement calculated under Section 2.6.1.

2.7. Common Use Ticket Counter Rate. Each year LAWA shall calculate the estimated Common Use Ticket Counter Rate for all Terminals for the next calendar year as follows:

2.7.1. The estimated Common Use Ticket Counter Requirement shall be computed as the product of the Terminal Buildings Rate and the total square footage of all of the Common Use Ticket Counter space in the Terminals.

2.7.2. The estimated Common Use Ticket Counter Rate shall then be calculated by dividing the Common Use Ticket Counter Requirement by the estimated total annual number of Enplaned Passengers of Airlines using Common Use Ticket Counters. LAWA may use the actual number of Enplaned Passengers in the immediately preceding Fiscal Year in calculating the estimated Common Use Ticket Counter Rate.

2.8. Terminal Special Charges. There are certain equipment and services that LAWA provides in some, but not all of the Terminals. Airlines using such equipment or services in certain Terminals pursuant to the Tariff shall be subject to Terminal Special Charges as follows. Any Capital Costs or Operations and Maintenance Expenses that are included in the calculations of Terminal Special Charges shall be excluded from the rates and charges calculated under Sections 2.2 through 2.7.

2.8.1. Custodial Rates. Each year LAWA shall calculate estimated Custodial Rates for the next calendar year as follows:

2.8.1.1. The Custodial Requirement shall be calculated by totaling the following from the immediately preceding Fiscal Year:

(a) the total actual payments by LAWA under service contracts for janitorial and cleaning services in all Terminals; and

(b) the total actual cost to LAWA of providing its own janitorial and cleaning services in all Terminals.

2.8.1.2. The Custodial Requirement shall then be divided by the total square footage of all areas (whether Public Areas or Rental Areas) for which LAWA provides janitorial and cleaning services to derive the Average Custodial Rate. LAWA shall then calculate four separate Custodial Rates for use of Common Use Holdrooms, Common Use Ticket Counters, Outbound Baggage System Areas and Baggage Claim Areas, respectively, by (x) multiplying the total square footage of each such type of space in all Terminals by the Average Custodial Rate and then (y) dividing by the following factors:

(a) for Common Use Holdrooms, Enplaned Passengers;

(b) for Common Use Ticket Counters, Enplaned Passengers;

(c) for Common Use Outbound Baggage System Areas, Enplaned Passengers; and

(d) for Common Use Baggage Claim Areas, the total of Deplaned Domestic Passengers.

In making these calculations, LAWA shall only consider the numbers of passengers using the Common Use facilities that are the subject of these Terminal Specific Charges and may use the actual numbers of such passengers in the immediately preceding Fiscal Year in calculating these rates.

2.8.2. Outbound Baggage System Maintenance Rate. Each year LAWA shall calculate the estimated Outbound Baggage System Maintenance Rate for the next calendar year as follows:

2.8.2.1. The Outbound Baggage System Maintenance Requirement shall be calculated by totaling the following actual amounts from the previous Fiscal Year:

(a) the total actual payments by LAWA under service contracts for maintaining and repairing Common Use Outbound Baggage Systems in all Terminals; and

(b) the total actual cost to LAWA of maintenance and repair of the Common Use Outbound Baggage Systems in all Terminals.

2.8.2.2. The estimated Outbound Baggage System Maintenance Rate shall then be calculated by dividing the Outbound Baggage System Maintenance Requirement by the estimated total annual number of Enplaned Passengers of Airlines using the Common Use Outbound Baggage System in Terminals in which LAWA maintains and repairs the Common Use Outbound Baggage Systems. LAWA may use the actual numbers of such passengers in the immediately preceding Fiscal Year in calculating the estimated Outbound Baggage System Maintenance Rate.

2.8.3. Terminal Airline Support System Rate. Each year LAWA shall calculate the estimated Terminal Airline Support System Rate for the next calendar year as follows:

2.8.3.1. The estimated Terminal Airline Support System Requirement shall be calculated by totaling (a) the prior Fiscal Year's Operations and Maintenance Expenses allocable to the Airline Support System and (b) all budgeted Capital Costs allocable to the Airline Support System and to be paid by LAWA for the next calendar year.

2.8.3.2. The estimated Terminal Airline Support System Rate shall then be calculated by dividing the estimated Terminal Airline Support System Requirement by the estimated total annual number of Enplaned Passengers of Airlines using the Terminal Airline Support System. LAWA may use the actual number of Enplaned Passengers of Airlines using the Terminal Airline Support System in the immediately preceding Fiscal Year in calculating the estimated Terminal Airline Support System Rate.

2.8.4. Common Use Loading Bridge Rate. Each year LAWA shall calculate the estimated Common Use Loading Bridge Capital Rate and the Common Use Loading Bridge O&M Rate for the use of Loading Bridges for the next calendar year as follows:

2.8.4.1. The Average Common Use Loading Bridge Capital Requirement shall be calculated by dividing all budgeted Capital Costs allocable to Common Use Loading Bridges for the following calendar year by the total number of Common Use Loading Bridges.

2.8.4.2. The Average Common Use Loading Bridge O&M Requirement for Common Use Loading Bridges maintained by LAWA shall be calculated by dividing the prior Fiscal Year's Operations and Maintenance Expenses allocable to such Common Use Loading Bridges by the total number of Common Use Loading Bridges maintained by LAWA.

2.8.4.3. The estimated Common Use Loading Bridge Capital Rate shall be calculated by multiplying the Average Common Use Loading Bridge Capital Requirement by the total number of Common Use Loading Bridges and then dividing by the total annual number of Turns at all of the Common Use Loading Bridges, so that the capital charges for use of the Common Use Loading Bridges by each type of aircraft shall bear the relativities to each other set forth in Section 2.4.2. LAWA may use the actual number of Turns at Common Use Loading Bridges in the immediately preceding Fiscal Year in calculating the estimated Common Use Loading Bridge Capital Rate.

2.8.4.4. The estimated Common Use Loading Bridge O&M Rate for Common Use Loading Bridges maintained by LAWA shall be calculated by multiplying the Average Common Use Loading Bridge O&M Requirement by the total number of such Common Use Loading Bridges and then dividing by the total annual number of Turns at all such Common Use Loading Bridges, so that the maintenance charges for use of such Common Use Loading Bridges by each type of aircraft shall bear the relativities to each other set forth in Section 2.4.2. LAWA may use the actual number of Turns at such Common Use Loading Bridges in the immediately preceding Fiscal Year in calculating the estimated Common Use Loading Bridge O&M Rate.

2.8.5. Future Terminal Special Charges. The Executive Director, subject to Board approval, may impose additional Terminal Special Charges in similar circumstances, where LAWA is providing certain specified services or equipment in some, but not all of the Terminals; provided, however, that any such services or equipment were first provided by LAWA after December 31, 2012. LAWA shall notify and consult with the Airlines concerning any proposed new Terminal Special Charges at least 60 days before LAWA submits any proposed new Terminal Special Charges for approval by the Board.

2.9. Mid-year Adjustments. If it appears to LAWA, on the basis of information it is able to accumulate during the course of any calendar year, that the estimated expenses (excluding Operations and Maintenance Expenses and the costs referred to in Sections 2.8.1.1 and 2.8.2.1) or projected levels of Airline activity it has used to calculate the rates and charges set forth in Section 2 are likely to vary significantly (higher or lower) from actual results, LAWA may make adjustments to such rates and charges at mid-year or at such other time during the calendar year (a) as the need for such an adjustment becomes apparent to LAWA or (b) the variance between the estimated expenses or projected levels of Airline activity and actual results is expected to be ten percent (10%) or more. LAWA shall provide the AAAC with at least thirty (30) days advance written notice ("Mid-Year Adjustment Notice") of any adjustments to be made under this Section 2.9. The AAAC may, within fifteen (15) days of receipt of the Mid-Year Adjustment Notice, request a meeting with LAWA to review the information that LAWA used as the basis for an adjustment under this Section 2.9 and if the AAAC does so, LAWA shall meet with the AAAC within fifteen (15) days of the AAAC's request.

2.10. Annual Adjustments-to-Actual. Within 180 days after the close of each calendar year, LAWA shall recalculate the rates and charges as set forth in this Section 2 on the basis of actual expenses (excluding Operations and Maintenance Expenses and the costs referred to in Sections 2.8.1.1 and 2.8.2.1), Airline activity and other factors affecting the prescribed calculations and shall determine the amount of any overpayment (credit) or underpayment (deficit) due to or from each Airline. Any resulting credit will be issued to the Airline, and any resulting debit will be invoiced to and payable by the Airline, as prescribed in the Tariff.

Section 3. Calculation of Rates and Charges for Aeronautical Users other than Airlines. An Aeronautical User using any space in the Terminals pursuant to the Tariff shall be subject to the Terminal Buildings Charge described in Section 2.2.

Appendix 1

Cost Allocation Method

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

Direct Cost Centers

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

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

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

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

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

Indirect Cost Centers

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

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

(2) *Allocation Methods.* Expenses directly attributable to the Terminals, and indirect Administrative and Access cost center expenses are allocated to the Terminals as follows:

- (i) Wherever possible, expenses directly attributable to the Terminals are allocated to the Terminals.
- (ii) Expenses attributable to Airport administrative divisions are allocated to the Terminals cost center based on its proportion of total direct expenses.
- (iii) Expenses directly allocated to the Access cost center are allocated to the Terminals cost center and all other direct cost centers on the basis of the ratio of land area by cost center.

EXHIBIT D

Rate Agreement

RATE AGREEMENT

This RATE AGREEMENT (this "Agreement") is made and entered into as of December 26, 2012, by and between THE CITY OF LOS ANGELES DEPARTMENT OF AIRPORTS, a municipal corporation ("City"), acting by order of and through its Board of Airport Commissioners (the "Board"), and Southwest Airlines Co. ("Airline"). Airline and City are collectively referred to as "Parties." Capitalized terms used in this Agreement without definition shall have the meanings given to such terms in the New Rate Methodology (as defined below).

RECITALS

The Parties hereby acknowledge and agree that their respective decisions to enter into this Agreement are premised on the following recitals:

A. City is the owner of Los Angeles International Airport (the "Airport") and operates the Airport for the promotion, accommodation and development of air commerce and air transportation.

B. City has undertaken construction projects to refurbish and renovate certain Terminals at the Airport and expects to continue to make significant investments in all the Terminals over the next ten (10) years to improve and modernize the Airport and accommodate additional passengers. City and Airline desire to communicate regularly on the status of Capital Improvements to the Terminals.

C. Airline (i) is or will be using space in a Terminal at the Airport pursuant to the Los Angeles International Airport Passenger Terminal Tariff (the "Tariff") or (ii) is using space in a Terminal at the Airport pursuant to a lease and desires to have the rates and charges for its use of Terminal space at the Airport calculated in accordance with this Agreement.

D. The Board adopted a new methodology (the "New Rate Methodology") for the calculation of rates and charges for the use of Terminal space at the Airport on September 17, 2012, which Board-approved rates and charges methodology is attached to this Agreement as Exhibit A.

E. Airline understands that the New Rate Methodology was developed in anticipation of future Terminal construction projects and is intended as a self-financing mechanism to recover the costs of constructing, acquiring, operating and maintaining the Terminals at the Airport.

F. City and Airline desire predictable rates and charges for use of Airport facilities.

G. City and Airline desire to avoid continuing disputes about the methods used to calculate rates and charges for use of Terminals at the Airport.

H. City will make this Agreement available to all Airlines that are operating at the Airport, and all Airlines that execute this Agreement will be "Signatory Airlines" under this Agreement. City will also make this Agreement available to airline consortiums that have been formed to manage specified Terminal facilities at the Airport and have been approved by City for this purpose, but nothing in this Agreement shall be construed to impose an obligation upon City to approve any new airline consortiums.

AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, City and Airline hereby agree as follows:

1. Term. With respect to any Airline, this Agreement shall commence on January 1, 2013 if executed by Airline and delivered to City on or before December 15, 2012 and otherwise shall commence on the first day of the next month beginning no less than sixty (60) days after execution by Airline and delivery to City. With respect to any approved airline consortium in existence on December 15, 2012 ("Existing Consortium"), this Agreement shall commence on January 1, 2013 if (a) executed by the Existing Consortium and delivered to City on or before December 15, 2012 and also (b) executed by individual airline members of such Existing Consortium responsible for no less than fifty percent (50%) of the enplaned passengers of all such consortium members at the Airport during fiscal year 2012 and delivered to City on or before December 15, 2012. With respect to any airline consortium formed and approved after December 15, 2012, this Agreement shall commence on the first day of the next month beginning no less than sixty (60) days after execution and delivery to City by such consortium and one hundred percent (100%) of the individual airline members of such consortium. This Agreement shall terminate on December 31, 2022; provided, however, with respect to any Existing Consortium, if one hundred percent (100%) of its individual airline members have not executed and delivered this Agreement to City by December 31, 2013, this Agreement shall terminate on December 31, 2013.

2. Acceptance of New Rate Methodology. Airline agrees that to pay charges for its use of space in the Terminals calculated in accordance with the New Rate Methodology as modified by this Agreement and acknowledges that this Agreement constitutes a written agreement with air carriers within the meaning of 49 U.S.C. § 47129(e)(1).

3. No Change to New Rate Methodology. City agrees that during the Term, City shall use the New Rate Methodology as modified by this Agreement to calculate Airline's rates and charges for the use of Terminal space at the Airport under the Tariff or Airline's lease, as applicable, and City shall not subject Airline to a different rates and charges methodology for the use of Terminal space at the Airport during the Term; provided, however, that City may modify the New Rate Methodology in a manner generally applicable to all Terminals with the written consent of Signatory Airlines that are then operating at the Airport. City shall give written notice and meet with the Signatory Airlines to discuss any such proposed modification. In lieu of providing written notice to each Signatory Airline, City may provide written notice to the Airline Airport Affairs Committee ("AAAC") at the Airport. City shall provide at least thirty (30) days

written notice of the meeting and request the written consent of the Signatory Airlines to the proposed modification no less than forty-five (45) days following the meeting. Such consent shall be deemed to have been given if the modification is approved in writing by a vote of Signatory Airlines that collectively paid no less than fifty-one percent (51%) of the total rates and charges paid under the New Rate Methodology by all Signatory Airlines during the immediately preceding fiscal year, and the Signatory Airlines voting to approve the modification paid no less than sixty-seven percent (67%) of the total rates and charges paid under the New Rate Methodology during the immediately preceding fiscal year by all Signatory Airlines participating in the vote. An airline consortium shall not itself participate in such a vote, but the rates and charges paid by a consortium that is party to this Agreement shall be credited proportionately to any of its members who are Signatory Airlines and participate in such a vote.

City and Airline acknowledge that during the Term questions may inevitably arise about the application of the New Rate Methodology in new or unforeseen circumstances. They commit to work together in good faith to resolve any such questions to the satisfaction of City and all Signatory Airlines in ways that are consistent with the intent of this Agreement and may not require any changes to the New Rate Methodology under this Section 3.

4. Tier One Revenue Sharing. City will share the concession revenues that City derives from the Terminals at the Airport with all Signatory Airlines in accordance with the following formulas ("Tier One Revenue Sharing"), which reduce the otherwise-indicated Terminal Buildings Requirement and FIS Requirement calculated under the New Rate Methodology. Airlines that are not signatories to this Agreement shall not be eligible for Tier One Revenue Sharing.

4.1. Tier One Terminal Buildings Revenue Sharing.

- (a) Commencing with calendar year 2014 (because the Terminal Buildings Rate for 2013 is fixed under Section 5.1 of this Agreement), the Terminal Buildings Requirement otherwise calculated under Section 2.2.1 of the New Rate Methodology for any given calendar year shall be reduced by the full amount of Tier One Terminal Buildings Concession Revenue applicable to that year. The Terminal Buildings Rate (and all rates derived from it under the New Rate Methodology) charged to all Signatory Airlines, including Airline, shall reflect the fixed rate prescribed for 2013 by Section 5.1 and, in subsequent years, the reduction in the Terminal Buildings Requirement yielded by Tier One Revenue Sharing.
- (b) For purposes of this section, the following definitions shall be used:
 - (i) "Terminal Buildings Concession Revenue" shall mean all revenue received by City from Terminal Buildings Concessions in the immediately preceding Fiscal Year.

- (ii) "Tier One Terminal Buildings Concession Revenue" shall mean fifty percent (50%) of the amount, if any, of Terminal Buildings Concession Revenue received by City in the immediately preceding Fiscal Year that is above the Terminal Buildings Concession Baseline.
- (iii) "Terminal Buildings Concessions" means all concessions and concessions management in the Terminal Buildings at the Airport (other than Terminal 4, unless and until all Airlines using Terminal 4 become subject to the New Rate Methodology) including, but not limited to, food and beverage, retail, telecommunications, ATMs, luggage carts, advertising and sponsorships, and Terminal commercial management and Terminal media operations. Terminal Building Concessions do not include FIS Concessions or parking and rental car concessions.
- (iv) "Terminal Buildings Concession Baseline" shall mean Sixty-Seven Million Dollars (\$67,000,000) as of July 1, 2011 and as subsequently adjusted as of July 1, 2013 and as of July 1 of each following year to reflect any changes after June 30, 2011 in the consumer price index published by the Bureau of Labor Statistics for "all urban consumers" for "all items" for the Los Angeles-Riverside-Orange County Area.

4.2. Tier One FIS Concession Revenue Sharing.

- (a) Commencing with calendar year 2016 (because the FIS Rates for 2013, 2014 and 2015 are fixed under Section 6 of this Agreement), the Gross FIS Requirement otherwise calculated under Section 2.3.1 of the New Rate Methodology for any given calendar year shall be reduced by the full amount of Tier One FIS Concession Revenue applicable to that year. The FIS Rate charged to all Signatory Airlines, including Airline, for calendar year 2016 and subsequent years shall reflect the reduction in the Gross FIS Requirement yielded by Tier One Concession Revenue Sharing.
- (b) For purposes of this section, the following definitions shall be used:
 - (i) "FIS Concessions" means duty free and foreign exchange concessions at the Airport. FIS Concessions do not include Terminal Buildings Concessions or parking and rental car concessions.
 - (ii) "Tier One FIS Concession Revenue" shall mean twenty-five percent (25%) of all revenues received by City from FIS Concessions contracts in the immediately preceding Fiscal Year.

5. Signatory Transitional Phase-In. City will phase in the rates and charges calculated under the New Rate Methodology for all Signatory Airlines, including Airline, by implementing the following signatory transitional phase-in ("STP") discounts to the Terminal Buildings Rate and all rates derived from it under the New Rate Methodology for each of the calendar years 2013 through 2017:

- 5.1. The Terminal Buildings Rate shall be Seventy-Five Dollars (\$75) for calendar year 2013 (when Tier One Revenue Sharing will not yet be in effect).
- 5.2. The Terminal Buildings Rate calculated pursuant to Section 4 of this Agreement to reflect Tier One Revenue Sharing shall be discounted by twenty percent (20%) for calendar year 2014.
- 5.3. The Terminal Buildings Rate calculated pursuant to Section 4 of this Agreement to reflect Tier One Revenue Sharing shall be discounted by fifteen percent (15%) for calendar year 2015.
- 5.4. The Terminal Buildings Rate calculated pursuant to Section 4 of this Agreement to reflect Tier One Revenue Sharing shall be discounted by ten percent (10%) for calendar year 2016.
- 5.5. The Terminal Buildings Rate calculated pursuant to Section 4 of this Agreement to reflect Tier One Revenue Sharing shall be discounted by five percent (5%) for calendar year 2017.

Illustrative calculations displaying how Tier One Revenue Sharing and the STP discounts will affect the rates and charges otherwise calculated under the New Rate Methodology are attached to this Agreement as Exhibit B through Exhibit H.

6. Fixed Signatory FIS Rates. For three (3) years City will lower and fix the FIS Rate otherwise calculated under Section 2.3 of the New Rate Methodology, and all Signatory Airlines, including Airline, shall be charged the following rates for each Deplaned International Passenger for the period from January 1, 2013 through December 31, 2015 for the use of the FIS Areas:

January 1, 2013 – December 31, 2013:	\$ 8.50
January 1, 2014 – December 31, 2014:	\$ 9.50
January 1, 2015 – December 31, 2015:	\$10.50

7. Capped Common Use Holdroom Fee. During any calendar year, City shall not charge any Signatory Airline, including Airline, cumulative Common Use Holdroom Fees for the use of a given Common Use Holdroom that exceed the Common Use Holdroom Cap. For purposes of this Section, "Common Use Holdroom Cap" means, for any given calendar year, the product of (x) the Terminal Buildings Rate calculated in accordance with this Agreement for that year and (y) the average number of square feet in all Common Use Holdrooms in the Terminals. For purposes of determining whether a Signatory Airline's cumulative Common Use Holdroom Fees for a given Common Use Holdroom exceed the Common Use Holdroom Cap, City shall include

Common Use Holdroom Fees paid by a Signatory Airline for the use of other Common Use Holdrooms if such Signatory Airline provides written documentation reasonably acceptable to the Executive Director that the use of such other Common Use Holdrooms was required in order to accommodate the schedule of another airline on the Common Use Holdroom for which the cumulative Common Use Holdrooms Fees are being computed.

8. Terminal Renewal and Improvement Fund & Tier Two Revenue Sharing. To provide a dedicated funding source for future Terminal capital improvement projects, City shall establish a Terminal Renewal and Improvement Fund ("TRIF").

8.1. Net Terminal Area Cash Flow. At the end of each calendar year, commencing at the end of calendar year 2013, the Net Terminal Area Cash Flow shall be deposited to the TRIF; provided, however, that the annual deposit of the Net Terminal Area Cash Flow shall not exceed the Net Terminal Area Cash Flow Cap. For purposes of this Section, the "Net Terminal Area Cash Flow" for any calendar year shall mean the difference between (a) the total revenues received by City from all sources for use of space in the Terminals (including Terminal 4) and (b) the sum of (x) debt service (net of PFC's) and Operations and Maintenance Expenses allocable to the Terminals and (y) required Reserve Deposits allocable to the Terminals (including Terminal 4) for the immediately preceding Fiscal Year. The "Net Terminal Area Cash Flow Cap" shall mean One Hundred Twenty-Five Million Dollars (\$125,000,000) as of July 1, 2013 and as adjusted as of July 1 of each following year to reflect any changes after July 1, 2013 in the consumer price index published by the Bureau of Labor Statistics for "all urban consumers" for "all items" for the Los Angeles-Riverside-Orange County Area. If at the end of any calendar year the Net Terminal Cash Flow exceeds the Net Terminal Cash Flow Cap, fifty percent (50%) of the funds in excess of the Net Terminal Cash Flow Cap shall be deposited to the Tier Two Revenue Sharing Fund; the remaining fifty percent (50%) of any such excess funds shall be deposited to City's revenue fund for City's unrestricted use for airport system capital or operating costs in accordance with applicable law.

8.2. Use of TRIF and Tier Two Revenue Sharing.

(a) TRIF.

(i) The funds in TRIF, if any, shall only be used by City to fund Capital Improvements in the Terminals unless the Executive Director reasonably determines, after consultation with the Signatory Airlines (except when exigent circumstances make such consultation impractical), that funds in TRIF are needed for other airport purposes (x) as a result of emergencies, including natural disasters or acts of war, (y) to meet regulatory or security requirements or (z) to satisfy bond covenants. The costs of Terminal projects funded by TRIF shall be amortized over the project's useful life and recovered through future rates and charges.

(ii) The TRIF Balance at the end of each fiscal year shall not exceed the TRIF Cap. At the end of each fiscal year, fifty percent (50%) of the funds in excess of the TRIF Cap shall be deposited to the Tier Two Revenue Sharing

Fund; the remaining fifty percent (50%) of any such excess funds shall be deposited to City's revenue fund for City's unrestricted use for airport system capital or operating costs in accordance with applicable law. For purposes of this Section, the "TRIF Balance" shall mean the TRIF account balance as of July 1 after depositing the Net Terminal Area Cash Flow pursuant to Section 8.1 of this Agreement for the immediately preceding fiscal year and including any accrued interest. The "TRIF Cap" shall mean Five Hundred Million Dollars (\$500,000,000), as of July 1, 2013 and as adjusted as of July 1 of each following year to reflect any changes after July 1, 2013 in the consumer price index published by the Bureau of Labor Statistics for "all urban consumers" for "all items" for the Los Angeles-Riverside-Orange County Area.

(b) Tier Two Revenue Sharing Fund Distributions.

(i) Commencing in calendar year 2014 and continuing on an annual basis until the end of the Term, the funds in the Tier Two Revenue Sharing Fund, if any, shall be distributed among all of the Signatory Airlines in the form of a credit (the "Tier Two Credit") at the end of each calendar year. Tier Two Credits can only be used by a Signatory Airline, including Airline, as an offset against amounts due to City in the following order of priority: first, against any amounts due to City on account of Airline's use of Terminal space at the Airport; and second, against any landing fees due to City on account of Airline's use of the airfield at the Airport. Tier Two Credits will not be issued in cash. Tier Two Credits must be used within twelve (12) months after they are issued and expire immediately if Airline ceases operations at the Airport for any reason other than the closure of the Airport. The distribution of Tier Two Credits shall be subject to the eligibility rules set forth below in subsection (ii) and shall be based upon the ratio of each Signatory Airline's payments of Terminal charges during the preceding calendar year to all payments of Terminal charges by Signatory Airlines during the preceding calendar year. The calculation of Tier Two Credits shall be made after the annual adjustment-to-actual of rates pursuant to Section 2.10 of the New Rate Methodology.

(ii) Conditions for the Issuance and Use of the Tier Two Credit. To be eligible to receive a Tier Two Credit, if any, for any given calendar year Airline must be operating at the Airport at the time the Tier Two Credits are issued. Airline will only be eligible to use Tier Two Credits as offsets against amount due to City, in accordance with Section 8.2(b)(i), if at the time Airline seeks to use such Credits, Airline is not in arrears to City by more than 45 (forty-five) days for any outstanding amount due on account of Airline's use of Terminal space or use of the airfield at the Airport for which City has given Airline notice (and for purposes of this Section 8.2(b)(ii), the discharge of a debt in a bankruptcy proceeding at any time during the preceding two (2) years shall not constitute the elimination of an arrearage or the payment of any amount to City).

An illustrative calculation displaying how Tier Two Revenue Sharing will work is attached to this Agreement as Exhibit I.

9. Terminal Capital Improvements.

9.1. Consultation. The AAAC will designate a representative of all Signatory Carriers (the "Airline Technical Representative") and will meet periodically with City to consult about the scope and status of Capital Improvements with costs allocable to the Terminals ("Terminal Capital Improvements"). City will meet with the Airline Technical Representative and the Signatory Airlines at least once each year to review Terminal Capital Improvements. The intent of these meetings is for City and Signatory Airlines to develop a common understanding of current and future Terminal Capital Improvements based upon reasonably available information. At each such meeting, City will provide the following: (a) a list and description of each Terminal Capital Improvement that is planned, designed or in construction at the time of the meeting; (b) the estimated gross project cost and construction schedule for each Terminal Capital Improvement; and (c) the anticipated source of funds for each Terminal Capital Improvement; and (d) the anticipated impact of each Terminal Capital Improvement on charges to be calculated in accordance with the New Rate Methodology and this Agreement, as well as any other information provided to the Board about each such Terminal Capital Improvement. City will give due consideration to written comments on these subjects provided to City by Signatory Airlines or the Airline Technical Representative within thirty (30) days of any such meeting and will advise the Board of any such comments when requesting Board action on any Terminal Capital Improvement that is the subject of such comments.

9.2. Funding Sources. Terminal Capital Improvements may be funded from one or more of the sources listed below. City's goal is to achieve a cumulative funding mix consistent with the targets set forth below for the Terminal Capital Improvements undertaken by City during the Term of this Agreement.

Sources of Funds	Target
<ul style="list-style-type: none">• TRIF• Airport revenue other than TRIF	<ul style="list-style-type: none">• Up to 30% of Project costs
<ul style="list-style-type: none">• Federal grants-in-aid	<ul style="list-style-type: none">• Where available to pay eligible Project costs
<ul style="list-style-type: none">• Airport revenue bonds	<ul style="list-style-type: none">• The balance of Project costs
<ul style="list-style-type: none">• PFC's	<ul style="list-style-type: none">• No less than 35% of PFC-eligible Project costs, including debt service, subject to availability and FAA approval

Airline acknowledges that the actual mix of sources used to fund Terminal Capital Improvements during the Term of this Agreement may vary depending upon, but not limited to, the following factors: (a) the availability of funds in TRIF and airport revenue accounts; (b) federal funding levels and Project eligibility; (c) the allowable amounts and uses of PFC's;

and (d) capital market conditions. City will defer for five years from the date of beneficial occupancy the collection of any amortization charges associated with the use of TRIF moneys to fund new Terminal Capital Improvements.

10. Partial Settlement Agreement. If Airline is a party to the 2008 "Partial Settlement Agreement" or the 2010 "First Amendment" to the Partial Settlement Agreement with City (collectively, the "PSA") regarding the calculation of rates for use of the Tom Bradley International Terminal ("TBIT"), Airline acknowledges and agrees that (a) this Agreement is in complete satisfaction of Sections 1.5(a) and 1.5(c) of the PSA; (b) the STP discounts described in Section 5 of this Agreement satisfy whatever remaining obligation, if any, City might otherwise have to provide the credit outlined in Recital G of the Partial Settlement Agreement and in Recital D of the First Amendment; and (c) Recital G and Section 1.3 of the Partial Settlement Agreement, and Recital D of the First Amendment, are all null and void, with no further effect.

11. Letter Agreement. If Airline is a signatory to a form of Letter Agreement approved by the Board on October 20, 2008 (Board Order No. AO-5108) or May 3, 2010 (Board Order No. AO-5159), Airline acknowledges and agrees that the Letter Agreement is terminated effective January 1, 2013 and that the section of the Letter Agreement with the heading "*LAX III Decision*" (which is either Section 2 or Section 3 of such Airline's Letter Agreement) is null and void, with no further effect.

12. Pending USDOT Complaints.

12.1. If Airline is a complainant in *Alaska Airlines, Inc. v. Los Angeles World Airports*, USDOT Docket No. OST-2007-27331 ("*LAX III*"), Airline acknowledges and agrees that its complaint in such proceeding before the USDOT is moot and consents to its dismissal with prejudice.

12.2. If Airline is a complainant in *Aer Lingus Group PLC v. Los Angeles World Airports*, USDOT Docket No. OST-2007-28118 ("*LAX IV*"), Airline acknowledges and agrees that its complaint in such proceeding before the USDOT does not now present a significant dispute within the meaning of 49 U.S.C. § 47129(c)(2) and consents to its dismissal with prejudice.

13. No Challenge to New Rate Methodology. Airline agrees that it will not contest or challenge, in any forum, the reasonableness or validity of the New Rate Methodology; provided, however, that Airline reserves the right to dispute whether the rates adopted by City for any given calendar year were calculated in accordance with the New Rate Methodology and this Agreement. Any such dispute shall be resolved in a court of competent jurisdiction in Los Angeles County, California unless otherwise agreed by City.

14. More Favorable Rate Methodology. If during the Term of this Agreement City adopts a new Tariff or otherwise makes available to other Airlines an alternative rate methodology that is more favorable than the New Rate Methodology, Airline may, at its option, elect to have its rates and charges calculated under such alternative rate methodology rather than in accordance with

this Agreement; provided, however, that if Airline makes such an election, Airline shall waive whatever rights, if any, it might have to Tier One Revenue Sharing, Tier Two Revenue Sharing and the Transitional Phase-In under this Agreement.

15. No Third Party Rights Or Obligations. No person or entity not a Party to or expressly identified as a beneficiary under this Agreement shall have any third-party beneficiary or other rights under this Agreement.

16. Applicable Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

17. Venue. Any litigation concerning this Agreement may only be filed in a court of competent jurisdiction in Los Angeles County, California.

18. Binding Agreement. This Agreement shall be binding upon the Parties hereto and their respective successors and assigns, corporate parents, subsidiaries and affiliates, and representatives, including a debtor in possession, a chapter 11 trustee or a chapter 7 trustee in a case or cases commenced under 11 U.S.C. §§ 101 *et seq.*

19. Headings. Descriptive headings are used in this Agreement for convenience only and shall not control, limit, amplify or otherwise modify or affect the terms and provisions of this Agreement or the meaning or construction of the terms and provisions of this Agreement.

20. Multiple Counterparts. This Agreement may be executed in a number of identical counterparts, each of which for all purposes is deemed an original, and all of which constitute collectively one agreement. Facsimile signatures may be utilized, but original signature pages must be provided to the Board.

21. Sole Agreement. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT AMONG THE PARTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF, AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

Southwest Airlines Co.

By: Bob Montgomery

Printed Name:
Bob Montgomery

Its: Vice President - Airport Affairs

DATE: Dec 6, 2012

Attest:

By: Peter B. Houghton

Printed Name:
PETER B. HOUGHTON

Its: SA Director - Airport Affairs

DATE: Dec 6, 2012

THE CITY OF LOS ANGELES; LOS ANGELES WORLD AIRPORTS; LOS ANGELES BOARD OF AIRPORT COMMISSIONERS

By: Debbie Bowers

Printed Name:
Debbie Bowers

Its: Deputy Executive Director of Commercial Development

APPROVED AS TO FORM:
CARMEN A. TRUTANICH, City Attorney

By: Carmen A. Trutanich
Deputy/Assistant City Attorney

DATE: 12/18, 2012

EXHIBIT A

RATES AND CHARGES FOR THE USE OF TERMINAL FACILITIES AT LOS ANGELES INTERNATIONAL AIRPORT PURSUANT TO THE LOS ANGELES INTERNATIONAL AIRPORT PASSENGER TERMINAL TARIFF, AS IT MAY BE AMENDED FROM TIME TO TIME

The following rates and charges methodology for the use of passenger terminals (the "Terminals") at Los Angeles International Airport (the "Airport") by Aeronautical Users subject to the Los Angeles International Airport Passenger Terminal Tariff (the "Tariff"), is established by the City of Los Angeles (the "City"), acting by and through the Board of Airport Commissioners (the "Board") of the Los Angeles World Airports ("LAWA"), under the City of Los Angeles City Charter and Administrative Code, §§ 630 et seq.

Section 1. Definitions. As used in this document, the terms identified in this section shall have the meanings indicated unless the context clearly indicates otherwise. Additional words and phrases used in this document shall have the meanings set forth in the Tariff or, if not so set forth, shall have their usual and customary meaning.

"AAAC" shall mean the Airline Airport Affairs Committee.

"Aeronautical User" shall mean an Airline or any other Person engaged in an activity that involves, makes possible or is required for the safety of, or is otherwise directly related to, the operation of aircraft and includes providers of services related directly and substantially to the movement of passengers, baggage, mail and cargo on the Airport, but does not include any government or political subdivision thereof or a governmental agency.

"Airline" shall mean an Air Carrier or Foreign Air Carrier as defined in 49 U.S.C. §§ 40102(a)(2) and (a)(21), respectively.

"Capital Costs" shall mean all capital costs of the Airport, including the following:

- (a) Debt service (net of PFC's) allocable to bond-funded Capital Improvements.
- (b) Debt service coverage allocated in accordance with stated bond covenant requirements (currently 1.25 for senior debt obligations and 1.15 for subordinate debt obligations).
- (c) Amortization allocable to Capital Improvements funded with airport revenue, based on the economic life for each Capital Improvement and calculated using an interest rate set to equal the average all-in cost of Airport debt sold by LAWA during the calendar year when such Capital Improvement is put in service or, if no Airport debt was sold, set to equal comparable published average borrowing costs.

"Capital Improvement" shall mean any improvement or item or related group of items acquired, purchased, leased or constructed to improve, maintain or develop the Airport, as well as any extraordinary or substantial expenditure whose object is to preserve, enhance or protect the Airport that, in accordance with generally accepted accounting principles consistently applied, is capitalized by LAWA.

"Common Use Areas," previously referred to as "Joint Use Areas" under the Tariff, shall mean the space in any Terminal designated by the Executive Director to be used in common by one or more Airlines or otherwise benefitting one or more Airlines for operations and include, without limitation, Common Use Holdrooms, Common Use Ticket Counters, Common Use Baggage Claim Areas and Common Use Outbound Baggage System Areas.

"Common Use Baggage Claim Areas" shall mean the space in any Terminal (excluding the FIS Areas) designated by the Executive Director to be used in common with other Airlines for the delivery of inbound baggage to arriving passengers, including the baggage recheck areas and the areas where Common Use Baggage Claim Systems are located.

"Common Use Baggage Claim System" shall mean equipment that delivers inbound baggage to arriving passengers.

"Common Use Holdrooms" shall mean the space in any Terminal designated by the Executive Director to be used in common with other Airlines for passenger holdrooms and gate areas.

"Common Use Loading Bridge" shall mean a passenger loading bridge and related equipment owned by LAWA.

"Common Use Outbound Baggage System" shall mean equipment that sorts outbound baggage for delivery to departing aircraft.

"Common Use Outbound Baggage System Areas" shall mean the space in any Terminal designated by the Executive Director to be used in common with other Airlines for the sorting of outbound baggage for delivery to departing aircraft and includes the areas where Common Use Outbound Baggage Systems are located.

"Common Use Ticket Counters" shall mean the space in any Terminal designated by the Executive Director to be used in common with other Airlines for ticket counters and associated queuing space.

"Deplaned Domestic Passengers" shall mean the actual number of passengers, not including the flight crew, disembarking from a domestic flight at the Terminals and shall include passengers clearing customs and immigration in the country that his or her flight originated from, disembarking from an international flight at the Terminals.

"Deplaned International Passengers" shall mean the actual number of passengers, not including the flight crew or passengers clearing customs and immigration in the country that his or her flight originated from, disembarking from an international flight at the Terminals.

"Enplaned Passengers" shall mean the actual number of passengers, not including the flight crew or international in-transit passengers, but including both originating and connecting passengers, embarking on a flight at the Terminals.

"Executive Director" shall mean the Executive Director of the Department of Airports of the City of Los Angeles, California, or his or her designee.

"Fiscal Year" shall mean the twelve (12) month period beginning July 1 of any year and ending June 30 of the following year or any other period adopted by LAWA for its financial affairs.

"FIS Areas," previously referred to as the "International Joint Use Areas" under the Tariff, shall mean the space in the Terminals designated by the Executive Director to be used in common with other Airlines for federal inspection services (including sterile corridors, customs areas, baggage service areas, customs baggage claim areas, cashier areas, interline baggage areas, immigration inspection areas, storage areas, locker areas, federal inspection service swing areas, conference room areas and registration areas), offices for federal agencies, restrooms included in or adjacent to the foregoing areas, transit lounge space and other in transit facilities for international passengers.

"New Rate Methodology" shall mean the rate methodology set forth in this document.

"Operations and Maintenance Expenses," previously referred to as "Terminal Expenses" under the Tariff, shall mean the total operations and maintenance expenses of the Airport.

"Passenger Facility Charges" or "PFC's" shall mean passenger facility charges remitted to LAWA under 49 U.S.C. § 40117 and 14 C.F.R. Part 158 as they may be amended from time to time.

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

"Public Area" shall mean sidewalks, concourses, corridors, lobbies, passageways, restrooms, elevators, escalators and other similar space made available by LAWA from time to time for use by passengers, LAWA and Airline employees and other members of the public, as designated by the Executive Director.

"Rentable Area," previously referred to as "Measured Area" under the Tariff, shall mean any areas in the Terminals that are available for use by Airlines, other Aeronautical Users, concessionaires or LAWA or other governmental users on an exclusive, common or preferential use basis, as designated by the Executive Director. Rentable Area does not include any areas that are located outside the Terminals nor does Rentable Area include any space (such as security

checkpoints) used by federal governmental agencies (such as Customs and Border Patrol or the Transportation Security Administration) or local law enforcement agencies to carry out their operations at the Airport.

"Reserve Deposits" shall mean the amounts deposited to funds and accounts for operations and maintenance reserves, to satisfy debt service reserve requirements, and similar expense reserves under the terms of any applicable bond covenants or as required by the Los Angeles City Charter.

"Terminals" shall mean all of the airline passenger terminals at the Airport except for Terminal 4 unless and until all Airlines using Terminal 4 are subject to the New Rate Methodology.

"Terminal Airline Support Systems" shall mean an information technology system, used to allocate terminal resources (gates, stands, ticket counters, baggage carousels, bag sortation piers, flight information displays, gate information displays, and public address systems) to assist Airlines with passenger processing.

"Turn" shall mean the active arrival and departure of an aircraft from a gate (including a remote gate) and may be measured in halves. The movement of an empty aircraft to or from a gate shall not constitute half a "Turn."

Section 2. Calculation of Rate and Charges for Airlines.

2.1. Generally.

2.1.1. An Airline using any space or equipment in the Terminals pursuant to the Tariff shall be subject to the rates and charges set forth in this Section 2. There are two kinds of rates and charges set forth in this Section: equalized charges for all of the Terminals (described in Sections 2.2 through 2.7 below) and Terminal Special Charges (described in Section 2.8 below), assessed for the use of certain space or equipment in certain Terminals, for the recovery of certain types of Capital Costs or Operations and Maintenance Expenses that are not incurred by LAWA in all of the Terminals and not recovered from the Airlines through the equalized rates and charges. In calculating the Terminal Buildings Requirement, the FIS Requirement and Terminal Special Charges, as set forth below, LAWA shall exclude any cost (net of the cost of collection) that (a) has been reimbursed or covered by government grants or PFC's, (b) has been reimbursed or covered by any insurance recovery, condemnation proceeds or other third-party payment, or (c) has been reimbursed or is required to be reimbursed to LAWA by an individual Airline under the Tariff in connection with projects undertaken by LAWA at the request and for the benefit of an individual Airline. Illustrative calculations displaying how rates and charges will be calculated under this methodology are attached as Exhibit A through Exhibit G-5.

2.1.2. Airline Consultations on Proposed Rates and Charges. No later than November 1 of each year, the Executive Director shall provide each Airline

then currently using space at the Airport with a complete copy of the then proposed rates and charges, calculated in accordance with this Section 2, for the succeeding calendar year. The Executive Director shall, upon request by any such Airline, consult with such Airlines concerning the then proposed rates and charges. No later than December 1 of each year, the Executive Director shall make any revisions to the proposed rates and charges as the Executive Director determines, in his or her sole discretion, to be warranted as a result of consultation with the Airlines or otherwise, and shall provide written notice to each Airline then currently using space at the Airport of new rates and charges to be effective on January 1 of the following calendar year. A copy of such written notice shall be filed with the secretary of the Board.

2.2. Calculation of the Terminal Buildings Rate. Each year LAWA shall calculate the estimated Terminal Buildings Rate for the next calendar year as follows:

2.2.1. The Terminal Buildings Requirement shall be computed as the total of (i) the Unified Capital Requirement and (ii) the Operations and Maintenance Requirement.

(a) Calculation of the Unified Capital Requirement. Each year LAWA shall calculate the Unified Capital Requirement by totaling all budgeted Capital Costs allocable to the Terminals (excluding the FIS Areas) for the following calendar year.

(b) Calculation of Operations and Maintenance Requirement. Each year LAWA shall calculate the Operations and Maintenance Requirement by totaling the actual Operations and Maintenance Expenses and Reserve Deposits (if any) allocable to the Terminals (excluding the FIS Areas) for the immediately preceding Fiscal Year.

The allocation method for Capital Costs and Operations and Maintenance Expenses is outlined in attached Appendix 1.

2.2.2. The estimated Terminal Buildings Rate shall then be calculated by dividing the Terminal Building Requirement by the estimated total amount of Rentable Area. LAWA may use the actual amount of Rentable Area in the immediately preceding Fiscal Year in calculating the estimated Terminal Buildings Rate.

2.3. Calculation of the FIS Rate. Each year LAWA shall calculate the estimated FIS Rate for the next calendar year as follows:

2.3.1. The estimated Gross FIS Requirement shall be computed as the total of (i) all budgeted Capital Costs allocable to the FIS Areas for the following calendar year and (ii) the actual Operations and Maintenance Expenses and

Reserve Deposits (if any) allocable to the FIS Areas for the immediately preceding Fiscal Year.

2.3.2. From the estimated Gross FIS Requirement, LAWA shall deduct the amounts of any estimated revenue from the rental of space in the FIS Areas to governmental agencies to yield the Net FIS Requirement.

2.3.3. The estimated FIS Rate shall then be calculated by dividing the Net FIS Requirement by the estimated total annual number of Deplaned International Passengers. LAWA may use the actual number of Deplaned International Passengers in the immediately preceding Fiscal Year in calculating the estimated FIS Rate.

2.4. Calculation of Common Use Holdroom Rate. Each year LAWA shall calculate the estimated Common Use Holdroom Rate for the next calendar year as follows:

2.4.1. The estimated Holdroom Requirement shall be computed as the product of the Terminal Buildings Rate and the total square footage of all Common Use Holdrooms in the Terminals.

2.4.2. LAWA shall then calculate six separate Common Use Holdroom Rates for use of Common Use Holdrooms by the six different classes of aircraft shown in the table below.

Aircraft Class					
1	2	3	4	5	6
A380	747	A340 A330 B777 A350 MD-11 IL-96	B757-300 B767 B787	B717 A318 A319 A320 A321 MD (DC) All B737 757-200	All others having 100 seats or less

The charges for use of Common Use Holdrooms by aircraft within each of these classes shall bear the following relativities to each other:

Relative Charge per Turn

Class 1:	3.00x
Class 2:	2.00x
Class 3:	1.50x
Class 4:	1.25x
Class 5:	1.00x
Class 6:	0.75x

For rate-setting purposes, the charges per Turn for each of these six classes of aircraft will be calculated so that expected aggregate Common Use Holdroom charges equal the Common Use Holdroom Requirement.

2.4.3. New Types of Aircraft. If any Airline begins to serve the Airport with types of aircraft not shown in the table in Section 2.4.2, LAWA shall provide written notice ("New Aircraft Notice") to the AAAC to solicit a recommendation from the AAAC as to the proper classification of such new aircraft types for rate-setting purposes. If the AAAC wishes to make such a recommendation, it shall do so in writing within thirty (30) days following the New Aircraft Notice. LAWA shall consider any such recommendation and then, in its sole discretion, shall reasonably determine whether to (a) assign such new aircraft to a new class with a different specified relativity or (b) include it in one of the existing aircraft classes under Section 2.4.2. LAWA shall provide written notice to the AAAC of its determination of how such new aircraft will be classified for rate-setting purposes, and thereafter the calculations of relative charges per Turn under Section 2.4.2 shall reflect any such classification.

2.5. Calculation of Common Use Baggage Claim System Rate. Each year LAWA shall calculate the estimated Common Use Baggage Claim System Rate for the next calendar year as follows:

2.5.1. The estimated Common Use Baggage Claim Requirement shall be computed as the product of the Terminal Buildings Rate and the total square footage of all Common Use Baggage Claim Areas in the Terminals.

2.5.2. The estimated Common Use Baggage Claim System Rate shall then be calculated by dividing the Baggage Claim Requirement by the estimated total annual number of Deplaned Domestic Passengers of Airlines using Common Use Baggage Claim Systems in any of the Terminals. LAWA may use the actual number of Deplaned Domestic Passengers of Airlines using Common Use Baggage Claim Systems in the immediately preceding Fiscal Year in calculating the estimated Common Use Baggage Claim Rate.

2.6. Calculation of Common Use Outbound Baggage System Rate. Each year LAWA shall calculate the estimated Common Use Outbound Baggage System Rate for the next calendar year as follows:

2.6.1. The estimated Common Use Outbound Baggage System Requirement shall be computed as the product of the Terminal Buildings Rate and the total square footage of all Common Use Outbound Baggage System Areas in the Terminals, less any credit for revenue generated by fees imposed under Section 2.6.3.

2.6.2. The estimated Common Use Outbound Baggage System Rate shall then be calculated by dividing the estimated Common Use Outbound Baggage System Requirement by the estimated total annual number of Enplaned Passengers of Airlines using the Common Use Outbound Baggage System Areas in all of the Terminals. LAWA may use the actual number of Enplaned Passengers of Airlines using the Common Use Outbound Baggage System Areas in the immediately preceding Fiscal Year in calculating the estimated Outbound Baggage System Rate.

2.6.3. LAWA may also establish a reasonable fee to be charged to Airlines that use a portion of an outbound baggage system owned or leased by another Airline and pay a fee for such use to such other Airline and also use baggage make-up devices owned by LAWA. The revenue, if any, generated by such a fee shall be credited against the Common Use Outbound Baggage System Requirement calculated under Section 2.6.1.

2.7. Common Use Ticket Counter Rate. Each year LAWA shall calculate the estimated Common Use Ticket Counter Rate for all Terminals for the next calendar year as follows:

2.7.1. The estimated Common Use Ticket Counter Requirement shall be computed as the product of the Terminal Buildings Rate and the total square footage of all of the Common Use Ticket Counter space in the Terminals.

2.7.2. The estimated Common Use Ticket Counter Rate shall then be calculated by dividing the Common Use Ticket Counter Requirement by the estimated total annual number of Enplaned Passengers of Airlines using Common Use Ticket Counters. LAWA may use the actual number of Enplaned Passengers in the immediately preceding Fiscal Year in calculating the estimated Common Use Ticket Counter Rate.

2.8. Terminal Special Charges. There are certain equipment and services that LAWA provides in some, but not all of the Terminals. Airlines using such equipment or services in certain Terminals pursuant to the Tariff shall be subject to Terminal Special Charges as follows. Any Capital Costs or Operations and Maintenance Expenses that are included in the calculations of Terminal Special Charges shall be excluded from the rates and charges calculated under Sections 2.2 through 2.7.

2.8.1. Custodial Rates. Each year LAWA shall calculate estimated Custodial Rates for the next calendar year as follows:

2.8.1.1. The Custodial Requirement shall be calculated by totaling the following from the immediately preceding Fiscal Year:

- (a) the total actual payments by LAWA under service contracts for janitorial and cleaning services in all Terminals; and
- (b) the total actual cost to LAWA of providing its own janitorial and cleaning services in all Terminals.

2.8.1.2. The Custodial Requirement shall then be divided by the total square footage of all areas (whether Public Areas or Rental Areas) for which LAWA provides janitorial and cleaning services to derive the Average Custodial Rate. LAWA shall then calculate four separate Custodial Rates for use of Common Use Holdrooms, Common Use Ticket Counters, Outbound Baggage System Areas and Baggage Claim Areas, respectively, by (x) multiplying the total square footage of each such type of space in all Terminals by the Average Custodial Rate and then (y) dividing by the following factors:

- (a) for Common Use Holdrooms, Enplaned Passengers;
- (b) for Common Use Ticket Counters, Enplaned Passengers;
- (c) for Common Use Outbound Baggage System Areas, Enplaned Passengers; and
- (d) for Common Use Baggage Claim Areas, the total of Deplaned Domestic Passengers.

In making these calculations, LAWA shall only consider the numbers of passengers using the Common Use facilities that are the subject of these Terminal Specific Charges and may use the actual numbers of such passengers in the immediately preceding Fiscal Year in calculating these rates.

2.8.2. Outbound Baggage System Maintenance Rate. Each year LAWA shall calculate the estimated Outbound Baggage System Maintenance Rate for the next calendar year as follows:

2.8.2.1. The Outbound Baggage System Maintenance Requirement shall be calculated by totaling the following actual amounts from the previous Fiscal Year:

- (a) the total actual payments by LAWA under service contracts for maintaining and repairing Common Use Outbound Baggage Systems in all Terminals; and
- (b) the total actual cost to LAWA of maintenance and repair of the Common Use Outbound Baggage Systems in all Terminals.

2.8.2.2. The estimated Outbound Baggage System Maintenance Rate shall then be calculated by dividing the Outbound Baggage System Maintenance Requirement by the estimated total annual number of Enplaned Passengers of Airlines using the Common Use Outbound Baggage System in Terminals in which LAWA maintains and repairs the Common Use Outbound Baggage Systems. LAWA may use the actual numbers of such passengers in the immediately preceding Fiscal Year in calculating the estimated Outbound Baggage System Maintenance Rate.

2.8.3. Terminal Airline Support System Rate. Each year LAWA shall calculate the estimated Terminal Airline Support System Rate for the next calendar year as follows:

2.8.3.1. The estimated Terminal Airline Support System Requirement shall be calculated by totaling (a) the prior Fiscal Year's Operations and Maintenance Expenses allocable to the Airline Support System and (b) all budgeted Capital Costs allocable to the Airline Support System and to be paid by LAWA for the next calendar year.

2.8.3.2. The estimated Terminal Airline Support System Rate shall then be calculated by dividing the estimated Terminal Airline Support System Requirement by the estimated total annual number of Enplaned Passengers of Airlines using the Terminal Airline Support System. LAWA may use the actual number of Enplaned Passengers of Airlines using the Terminal Airline Support System in the immediately preceding Fiscal Year in calculating the estimated Terminal Airline Support System Rate.

2.8.4. Common Use Loading Bridge Rate. Each year LAWA shall calculate the estimated Common Use Loading Bridge Capital Rate and the Common Use Loading Bridge O&M Rate for the use of Loading Bridges for the next calendar year as follows:

2.8.4.1. The Average Common Use Loading Bridge Capital Requirement shall be calculated by dividing all budgeted Capital Costs allocable to Common Use Loading Bridges for the following calendar year by the total number of Common Use Loading Bridges.

2.8.4.2. The Average Common Use Loading Bridge O&M Requirement for Common Use Loading Bridges maintained by LAWA shall be calculated by dividing the prior Fiscal Year's Operations and Maintenance Expenses allocable to such Common Use Loading Bridges by the total number of Common Use Loading Bridges maintained by LAWA.

2.8.4.3. The estimated Common Use Loading Bridge Capital Rate shall be calculated by multiplying the Average Common Use Loading Bridge Capital Requirement by the total number of Common Use Loading Bridges and then dividing by the total annual number of Turns at all of the Common Use Loading Bridges, so that the capital charges for use of the Common Use Loading Bridges by each type of aircraft shall bear the relativities to each other set forth in Section 2.4.2. LAWA may use the actual number of Turns at Common Use Loading Bridges in the immediately preceding Fiscal Year in calculating the estimated Common Use Loading Bridge Capital Rate.

2.8.4.4. The estimated Common Use Loading Bridge O&M Rate for Common Use Loading Bridges maintained by LAWA shall be calculated by multiplying the Average Common Use Loading Bridge O&M Requirement by the total number of such Common Use Loading Bridges and then dividing by the total annual number of Turns at all such Common Use Loading Bridges, so that the maintenance charges for use of such Common Use Loading Bridges by each type of aircraft shall bear the relativities to each other set forth in Section 2.4.2. LAWA may use the actual number of Turns at such Common Use Loading Bridges in the immediately preceding Fiscal Year in calculating the estimated Common Use Loading Bridge O&M Rate.

2.8.5. Future Terminal Special Charges. The Executive Director, subject to Board approval, may impose additional Terminal Special Charges in similar circumstances, where LAWA is providing certain specified services or equipment in some, but not all of the Terminals; provided, however, that any such services or equipment were first provided by LAWA after December 31, 2012. LAWA shall notify and consult with the Airlines concerning any proposed new Terminal Special Charges at least 60 days before LAWA submits any proposed new Terminal Special Charges for approval by the Board.

2.9. Mid-year Adjustments. If it appears to LAWA, on the basis of information it is able to accumulate during the course of any calendar year, that the estimated expenses (excluding Operations and Maintenance Expenses and the costs referred to in Sections 2.8.1.1 and 2.8.2.1) or projected levels of Airline activity it has used to calculate the rates and charges set forth in Section 2 are likely to vary significantly (higher or lower) from actual results, LAWA may make adjustments to such rates and charges at mid-year or at such other time during the calendar year (a) as the need for such an adjustment becomes apparent to LAWA or (b) the variance between the estimated expenses or projected levels of Airline activity and actual results is expected to be ten percent (10%) or more. LAWA shall provide the AAAC with at least thirty (30) days advance written notice ("Mid-Year Adjustment Notice") of any adjustments to be made under this Section 2.9. The AAAC may, within fifteen (15) days of receipt of the Mid-Year Adjustment Notice, request a meeting with LAWA to review the information that LAWA used as the basis for an adjustment under this Section 2.9 and if the AAAC does so, LAWA shall meet with the AAAC within fifteen (15) days of the AAAC's request.

2.10. Annual Adjustments-to-Actual. Within 180 days after the close of each calendar year, LAWA shall recalculate the rates and charges as set forth in this Section 2 on the basis of actual expenses (excluding Operations and Maintenance Expenses and the costs referred to in Sections 2.8.1.1 and 2.8.2.1), Airline activity and other factors affecting the prescribed calculations and shall determine the amount of any overpayment (credit) or underpayment (deficit) due to or from each Airline. Any resulting credit will be issued to the Airline, and any resulting debit will be invoiced to and payable by the Airline, as prescribed in the Tariff.

Section 3. Calculation of Rates and Charges for Aeronautical Users other than Airlines. An Aeronautical User using any space in the Terminals pursuant to the Tariff shall be subject to the Terminal Buildings Charge described in Section 2.2.

EXHIBIT A

Appendix 1

Cost Allocation Method

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

Direct Cost Centers

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

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

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

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

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

Indirect Cost Centers

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

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

(2) *Allocation Methods.* Expenses directly attributable to the Terminals, and indirect Administrative and Access cost center expenses are allocated to the Terminals as follows:

- (i) Wherever possible, expenses directly attributable to the Terminals are allocated to the Terminals.
- (ii) Expenses attributable to Airport administrative divisions are allocated to the Terminals cost center based on its proportion of total direct expenses.
- (iii) Expenses directly allocated to the Access cost center are allocated to the Terminals cost center and all other direct cost centers on the basis of the ratio of land area by cost center.

Exhibit A

TERMINAL BUILDINGS RATE
Illustrative Calculation pursuant to the New Rate Methodology
 Los Angeles International Airport
 Calendar year

	Hypothetical Year
Unified Capital Requirement (a)	
Gross debt service	\$83,400,000
Less: PFC revenues	(52,600,000)
Debt service	\$30,900,000
Debt service coverage	7,700,000
Amortization	30,800,000
Unified Capital Requirement	(A) \$69,400,000
Operations and Maintenance Requirement (b)	(B) 221,700,000
Less: Terminal 4 cost requirement	(C) (33,950,000)
Terminal Buildings Requirement	(D=A+B+C) \$257,150,000
Divided by: Rentable Area (c)	(E) 2,070,000
Terminal Buildings Rate (per square foot)	(F=D/E) \$124.23

Note: The results shown above are not projections.

(a) See Section 2.2.1(a) of the New Rate Methodology.

(b) See Section 2.2.1(b) of the New Rate Methodology.

(c) See Section 1 of the New Rate Methodology.

Exhibit B

FIS RATE

Illustrative Calculation pursuant to the New Rate Methodology
Los Angeles International Airport
Calendar year

	Hypothetical Year
Capital Costs	
Gross debt service	\$36,400,000
Less: PFC revenues	(9,400,000)
Debt service	\$27,100,000
Debt service coverage	6,800,000
Amortization	2,800,000
Capital Costs	\$36,700,000
Operations and Maintenance Expenses	
Gross FIS Requirement	39,700,000
Less: Rental revenue of space in FIS Areas from governmental agencies	\$75,400,000
Net FIS Requirement (a)	(100,000)
Divided by: Depleaned International Passengers (b)	\$75,300,000
FIS Rate (per deplaned international passenger)	7,300,000
	<u>\$10.45</u>

Note: The results shown above are not projections.

(a) See Section 2.3 of the New Rate Methodology.

(b) See Section 1 of the New Rate Methodology.

Exhibit C

COMMON USE HOLDROOM RATE

Illustrative Calculation pursuant to the New Rate Methodology
Los Angeles International Airport
Calendar year

	Hypothetical Year
Terminal Buildings Rate (a)	\$124.23
Times: Common Use Holdroom Space (square feet)	268,000
Holdroom Requirement (b)	\$33,300,000
Divided by: Estimated Turns (weighted by aircraft class) (c)	117,300
Common Use Holdroom Rate (per full turn)	\$283.89

Common Use Holdroom Rates (per full turn) (by aircraft class): (c)

	Common Use	Relative charge	Weighted Common Use
Class	Holdroom Rate	per turn	Holdroom Rate
	[A]	[B]	[A*B]
1	\$283.89	3.00	\$851.67
2	\$283.89	2.00	\$567.78
3	\$283.89	1.50	\$425.84
4	\$283.89	1.25	\$354.86
5	\$283.89	1.00	\$283.89
6	\$283.89	0.75	\$212.92

Note: The results shown above are not projections.

- (a) See illustrative Exhibit A.
 - (b) See Section 2.4.1 of the New Rate Methodology.
 - (c) See Section 2.4.2 of the New Rate Methodology.
- Expected use of Common Use Holdrooms (by aircraft class)

		Relative charge	Illustrative turns
Class	Illustrative turns	per turn	(weighted)
1	1,500	3.00	4,500
2	6,000	2.00	12,000
3	14,800	1.50	22,200
4	1,100	1.25	1,400
5	74,500	1.00	74,500
6	3,600	0.75	2,700
	101,500		117,300

Exhibit D

COMMON USE BAGGAGE CLAIM SYSTEM RATE
Illustrative Calculation pursuant to the New Rate Methodology
Los Angeles International Airport
Calendar year

	Hypothetical Year
Non-Signatory Airline Terminal Buildings Rate (a)	\$124.23
Multiplied by: Common Use Baggage Claim Areas (square feet)	76,000
Common Use Baggage Claim System Requirement (b)	\$9,441,000
Divided by: Deplaned Domestic Passengers	9,192,000
Common Use Baggage Claim System Rate (per deplaned domestic passenger)	\$1.03

Note: The results shown above are not projections.

- (a) See illustrative Exhibit A.
(b) See Section 2.5.1 of the New Rate Methodology.

Exhibit E

COMMON USE OUTBOUND BAGGAGE SYSTEM RATE
Illustrative Calculation pursuant to the New Rate Methodology
 Los Angeles International Airport
 Calendar year

	Hypothetical Year
Non-Signatory Airline Terminal Buildings Rate (a)	\$124.23
Multiplied by: Common Use Outbound Baggage System Areas (square feet)	152,000
Common Use Outbound Baggage System Requirement (b)	\$18,883,000
Less: Fees for Terminal 6 common use bag make-up unit (c)	(500,000)
Net Common Use Outbound Baggage System Requirement (c)	\$18,383,000
Divided by: Enplaned Passengers	10,594,000
Common Use Outbound Baggage System Rate (per enplaned passenger)	<u>\$1.74</u>

Note: The results shown above are not projections.

- (a) See illustrative Exhibit A.
- (b) See Section 2.6.1 of the New Rate Methodology.
- (c) Pursuant to Section 2.6.3 of the New Rate Methodology.

Exhibit F

COMMON USE TICKET COUNTER RATE
Illustrative Calculation pursuant to the New Rate Methodology
Los Angeles International Airport
Calendar year

	Hypothetical Year
Non-Signatory Airline Terminal Buildings Rate (a)	\$124.23
Multiplied by: Common Use Ticket Counter space (square feet)	17,000
Common Use Ticket Counter Requirement (b)	\$2,112,000
Divided by: Enplaned Passengers	5,606,000
Common Use Ticket Counter Rate (per enplaned passenger)	\$0.38

Note: The results shown above are not projections.

- (a) See illustrative Exhibit A.
(b) See Section 2.7.1 of the New Rate Methodology.

Exhibit G-1

CUSTODIAL RATES

Illustrative Calculation pursuant to the Tariff
Los Angeles International Airport
Calendar year

	Hypothetical Year
CALCULATION OF THE AVERAGE CUSTODIAL RATE	
Payments by LAWA under service contracts	\$3,885,000
Cost to LAWA of providing janitorial services	31,683,000
Custodial Requirement (a)	\$35,568,000
Divided by: Terminal Building space receiving LAWA Custodial (b)	1,756,000
Average Custodial Rate	\$20.26

CALCULATION OF THE CUSTODIAL RATES

	Common Use Areas			
		Ticket	Outbound Baggage	Baggage Claim
	Holdrooms	Counters	System Areas	Areas
Average Custodial Rate	\$20.26	\$20.26	\$20.26	\$20.26
Space	268,000	17,000	152,000	76,000
	\$5,428,000	\$344,000	\$3,079,000	\$1,539,000
Passengers (c)	14,247,000	5,606,000	10,594,000	9,192,000
Custodial Rate (per enpl./depl. passenger)	\$0.38	\$0.06	\$0.29	\$0.17

Note: The results shown above are not projections.

(a) See Section 2.8.1 of the New Rate Methodology.

(b) Terminal Building space receiving LAWA Custodial:

	Sq ft
Common Use Holdrooms	268,000
Common Use Ticket Counters	17,000
Common Use Outbound Baggage System Areas	152,000
Common Use Baggage Claim Areas	76,000
Common Use Areas	513,000
Public Areas	1,243,000
Terminal Building space receiving LAWA Custodial	1,756,000

(c) Only passengers on airlines using the specified Common Use Areas.

Holdrooms: Enplaned passengers in Terminals 1, 2, 3 and TBIT.

Ticket Counters: Enplaned passengers in Terminal 2 (excluding Hawaiian and Air Canada) and TBIT.

Outbound Baggage System Areas: Enplaned passengers in Terminals 1, 2 and 3.

Baggage Claim Areas: Deplaned passengers in Terminals 1, 2 (non-FIS) and 3.

Exhibit G-2

OUTBOUND BAGGAGE SYSTEM MAINTENANCE RATE
Illustrative Calculation pursuant to the Tariff
 Los Angeles International Airport
 Calendar year

	Hypothetical Year
Payments by LAWA under service contracts	\$3,201,000
Cost to LAWA of providing maintenance services	-
Outbound Baggage System Maintenance Requirement (a)	\$3,201,000
Divided by: Enplaned passengers (b)	10,594,000
Outbound Baggage System Maintenance Rate (per enpl. passenger)	\$0.30

Note: The results shown above are not projections.

(a) See Section 2.8.2 of the New Rate Methodology.

(b) Enplaned passengers for all Terminals with LAWA-maintained Outbound Baggage Systems (T1, T2 and T3).

Exhibit G-3

TERMINAL AIRLINE SUPPORT SYSTEM RATE
Illustrative Calculation pursuant to the Tariff
 Los Angeles International Airport
 Calendar year

	Hypothetical Year
Payments by LAWA under service contracts	\$0
Cost to LAWA of providing maintenance services	2,166,000
Terminal Airline Support System Requirement (a)	\$2,166,000
Divided by: Enplaned Passengers (b)	7,008,000
Terminal Airline Support System Rate (per enplaned passenger)	\$0.31

Note: The results shown above are not projections.

To be calculated separately for each Terminal that has a LAWA-provided Airline Support System.

(a) See Section 2.8.3 of the New Rate Methodology.

(b) Enplaned passengers for all Terminals with LAWA-maintained Terminal Airline Support Systems (T3 and TBIT).

Exhibit G-4

LOADING BRIDGE RATE – MAINTENANCE
Illustrative Calculation pursuant to the Tariff
Los Angeles International Airport
Calendar year

	Hypothetical Year
LOADING BRIDGE RATE-- MAINTENANCE (a)	
O&M Expenses of LAWA-maintained loading bridges	\$1,719,000
Divided by: Number of LAWA-maintained loading bridges (b)	43
Loading Bridge Maintenance Charge (per bridge) (c)	\$40,000
Divided by: Estimated annual turns (per bridge) (weighted)	2,147
Loading Bridge Maintenance Rate (per full turn) (d)	\$18.63
Loading Bridge Maintenance Rates (per full turn) (by aircraft class): (e)	
	Weighted Loading Bridge Capital Rate
Class	Rate
	[A]
1	\$18.63
2	\$18.63
3	\$18.63
4	\$18.63
5	\$18.63
6	\$18.63

Note: The results shown above are not projections.

- (a) See Section 2.8.4 of the New Rate Methodology.
- (b) All bridges in Terminals 1, 2 and 3, and 6 bridges in Terminal 6.
- (c) Per-bridge charge levied to airlines using preferential-use holdrooms.
- (d) Per-turn rate levied to airlines using Common Use Holdrooms.
- (e) Weighting by aircraft class matches the weighting of Common Use Holdroom Rates.

Expected use of Common Use Holdrooms (by aircraft class):

	Class	Illustrative turns	Relative charge per turn	Illustrative turns (weighted)
Maintenance:	1	400	3.00	1,200
	2	1,600	2.00	3,200
	3	5,400	1.50	8,100
	4	1,500	1.25	1,900
	5	75,200	1.00	75,200
	6	3,600	0.75	2,700
		87,700		92,300
Divided by: Number of LAWA-maintained loading bridges				43
Estimated annual turns (per bridge) (weighted)				2,147

Exhibit G-5

LOADING BRIDGE RATE -- CAPITAL
Illustrative Calculation pursuant to the Tariff
Los Angeles International Airport
Calendar year

	Hypothetical Year
LOADING BRIDGE RATE -- CAPITAL (a)	
Capital costs of LAWA-owned loading bridges	\$1,409,000
Divided by: Number of LAWA-owned loading bridges (b)	86
Loading Bridge Capital Charge (per bridge) (c)	\$16,000
Divided by: Estimated annual turns (per bridge) (weighted)	1,547
Loading Bridge Capital Rate (per full turn) (d)	\$10.35
Loading Bridge Capital Rates (per full turn) (by aircraft class): (e)	Weighted
	Loading
	Bridge Capital
Class	Rate
	[A]
	Relative
	charge per
	turn
	[B]
	[A*B]
1	\$10.35 3.00 \$31.05
2	\$10.35 2.00 \$20.70
3	\$10.35 1.50 \$15.53
4	\$10.35 1.25 \$12.94
5	\$10.35 1.00 \$10.35
6	\$10.35 0.75 \$7.76

Note: The results shown above are not projections.

- (a) See Section 2.8.4 of the New Rate Methodology.
- (b) All bridges in Terminals 1, 2, 3, 6 and TBIT (including remote gates).
- (c) Per-bridge charge levied to airlines using preferential-use holdrooms.
- (d) Per-turn rate levied to airlines using Common Use Holdrooms.
- (e) Weighting by aircraft class matches the weighting of Common Use Holdroom Rates.
Expected use of Common Use Holdrooms (by aircraft-class):

Capital:	Class	Illustrative turns	Relative charge per turn	Illustrative turns (weighted)
	1	1,500	3.00	4,500
	2	6,000	2.00	12,000
	3	14,800	1.50	22,200
	4	1,100	1.25	1,400
	5	85,900	1.00	85,900
	6	8,800	0.75	7,000
		118,100		133,000
Divided by: Number of LAWA-maintained loading bridges				86
Estimated annual turns (per bridge) (weighted)				1,547

Exhibit B

TERMINAL BUILDINGS RATE
Illustrative Calculation pursuant to the Rate Agreement
Los Angeles International Airport
Calendar year

	Hypothetical Year
Unified Capital Requirement (a)	
Gross debt service	\$83,400,000
Less: PFC revenues	(52,600,000)
Debt service	\$30,900,000
Debt service coverage	7,700,000
Amortization	30,800,000
Unified Capital Requirement	[A] \$69,400,000
Operations and Maintenance Requirement (b)	[B] 221,700,000
Less: Terminal 4 cost requirement	[C] (33,950,000)
Terminal Buildings Requirement	[D=A+B+C] \$257,200,000
Less: Tier One Terminal Buildings Revenue Sharing (c)	[E] (800,000)
Net Terminal Buildings Requirement	[F=D+E] \$256,400,000
Divided by: Rentable Area (d)	[G] 2,070,000
Terminal Buildings Rate (after TierOne Terminal Buildings Revenue Sharing) Signatory Transitional Phase-In (STP) discount	[H=F/G] \$123.86
Terminal Buildings Rate (per square foot)	15%
	\$105.28

Note: The results shown above are not projections.

(a) See Section 2.2.1(a) of the New Rate Methodology.

(b) See Section 2.2.1(b) of the New Rate Methodology.

(c) See Section 4.1(a) of the Rate Agreement.

(d) See Section 1 of the New Rate Methodology.

Exhibit C

FIS RATE
 Illustrative Calculation pursuant to the Rate Agreement
 Los Angeles International Airport
 Calendar year

	Hypothetical Year
Capital Costs	
Gross debt service	\$36,400,000
Less: PFC revenues	(9,400,000)
Debt service	\$27,100,000
Debt service coverage	6,800,000
Amortization	2,800,000
Capital Costs	[A]
Operations and Maintenance Expenses	[B]
Gross FIS Requirement	[C=A+B]
Less: Rental revenue of space in FIS Areas from governmental agencies	[D]
Net FIS Requirement (a)	[E=C+D]
Less: Tier One FIS Concession Revenue (b)	[F]
Net FIS Requirement	[G=E+F]
Divided by: Deplaned International Passengers (c)	[H]
FIS Rate (per deplaned international passenger)	[G/H]
	\$9.00

Note: The results shown above are not projections.

- (a) See Section 2.3 of the New Rate Methodology.
- (b) See Section 4.2 of the Rate Agreement.
- (c) See Section 1 of the New Rate Methodology.

Exhibit D

COMMON USE HOLDROOM RATE
Illustrative Calculation pursuant to the Rate Agreement
Los Angeles International Airport
Calendar year

	Hypothetical Year		
Signatory Airline Terminal Buildings Rate (a)	\$105.28		
Times: Common Use Holdroom Space (square feet)	268,000		
Holdroom Requirement (b)	\$28,220,000		
Divided by: Estimated Turns (weighted by aircraft class) (c)	117,300		
Common Use Holdroom Rate (per full turn)	\$240.58		
=====			
Common Use Holdroom Rates (per full turn) (by aircraft class): (c)	Weighted Common Use		
Class	Common Use Holdroom Rate	Relative charge per turn	Common Use Holdroom Rate
	[A]	[B]	[A*B]
1	\$240.58	3.00	\$721.74
2	\$240.58	2.00	\$481.16
3	\$240.58	1.50	\$360.87
4	\$240.58	1.25	\$300.73
5	\$240.58	1.00	\$240.58
6	\$240.58	0.75	\$180.44

Note: The results shown above are not projections.

- (a) See Illustrative Exhibit B.
 - (b) See Section 2.4.1 of the New Rate Methodology.
 - (c) See Section 2.4.2 of the New Rate Methodology.
- Expected use of Common Use Holdrooms (by aircraft class)

Class	Illustrative turns	Relative charge per turn	Illustrative turns (weighted)
1	1,500	3.00	4,500
2	6,000	2.00	12,000
3	14,800	1.50	22,200
4	1,100	1.25	1,400
5	74,500	1.00	74,500
6	3,600	0.75	2,700
	101,500		117,300

Exhibit E

COMMON USE BAGGAGE CLAIM SYSTEM RATE
Illustrative Calculation pursuant to the Rate Agreement
Los Angeles International Airport
Calendar year

	Hypothetical Year
Signatory Airline Terminal Buildings Rate (a)	\$105.28
Multiplied by: Common Use Baggage Claim Areas (square feet)	76,000
Common Use Baggage Claim System Requirement (b)	\$8,001,000
Divided by: Deplaned Domestic Passengers	9,192,000
Common Use Baggage Claim System Rate (per deplaned domestic passenger)	\$0.87

Note: The results shown above are not projections.

(a) See illustrative Exhibit B.

(b) See Section 2.5.1 of the New Rate Methodology.

Exhibit F

COMMON USE OUTBOUND BAGGAGE SYSTEM RATE
 Illustrative Calculation pursuant to the Rate Agreement
 Los Angeles International Airport
 Calendar year

	Hypothetical Year
Signatory Airline Terminal Buildings Rate (a)	\$105.28
Multiplied by: Common Use Outbound Baggage System Areas (square feet)	152,000
Common Use Outbound Baggage System Requirement (b)	\$16,003,000
Less: Fees for Terminal 6 common use bag make-up unit (c)	(500,000)
Net Common Use Outbound Baggage System Requirement (c)	\$15,503,000
Divided by: Enplaned Passengers	10,594,000
Common Use Outbound Baggage System Rate (per enplaned passenger)	\$1.46

Note: The results shown above are not projections.

- (a) See illustrative Exhibit B.
- (b) See Section 2.5.1 of the New Rate Methodology.
- (c) Pursuant to Section 2.6.3 of the New Rate Methodology.

Exhibit G

COMMON USE TICKET COUNTER RATE
Illustrative Calculation pursuant to the Rate Agreement
Los Angeles International Airport
Calendar year

	Hypothetical Year
Signatory Airline Terminal Buildings Rate (a)	\$105.28
Multiplied by: Common Use Ticket Counter space (square feet)	17,000
Common Use Ticket Counter Requirement (b)	\$1,790,000
Divided by: Enplaned Passengers	5,606,000
Common Use Ticket Counter Rate (per enplaned passenger)	\$0.32

Note: The results shown above are not projections.

- (a) See Illustrative Exhibit B.
- (b) See Section 2.7.1 of the New Rate Methodology.

Exhibit H

CALCULATION OF TIER ONE REVENUE SHARING
Illustrative Calculation pursuant to the Rate Agreement
Los Angeles International Airport
Calendar year

	Share	Hypothetical Year
TERMINAL BUILDINGS		
Concession Revenues		\$70,800,000
Less: FY 2011 revenues (a)		(69,200,000)
Revenues available for Tier One		<u>\$1,600,000</u>
Tier One Terminal Buildings Concession Revenues	50%	\$800,000
FIS		
FIS Concessions (b)		\$42,600,000
Tier One FIS Concession Revenues	25%	<u>\$10,600,000</u>

Note: Revenues generated in Terminal 4 are excluded.

(a) Escalates at Los Angeles CPI. In 2011, the CPI was 2.70%

(b) Includes duty free and foreign exchange.

Exhibit I

**DEPOSIT TO TRIF AND
TIER TWO REVENUE SHARING FUND DISTRIBUTIONS**
Illustrative Calculation pursuant to the Rate Agreement
Los Angeles International Airport
Calendar year

		Hypothetical Year
Total Revenues in the Terminals		\$500,000,000
Less: Debt service		(\$58,000,000)
Less: Operations and Maintenance Expenses		(276,000,000)
Less: Required Deposits		(2,100,000)
		<u>(336,100,000)</u>
Net Terminal Cash Flow	(A)	\$163,900,000
TRIF Deposit		
Net Terminal Cash Flow Cap	(B)	\$125,000,000
Annual deposit to TRIF	[C=A<B, then A, otherwise B]	125,000,000
TRIF Balance		
TRIF Cap	(D)	\$500,000,000
TRIF Balance	(E)	<u>520,000,000</u>
Amount in excess of TRIF Cap	[F=E-D, if E>D]	\$20,000,000
Tier Two Revenue Sharing Deposit	[50% x F]	\$10,000,000

Tier Two Revenue Sharing Distribution

Airline (a)	Total terminal- area revenues	Relative share of terminal-area revenues	Tier Two Credits
Airline 1	\$30,000,000	45.5%	\$4,500,000
Airline 2	20,000,000	30.3%	3,000,000
Airline 3	10,000,000	15.2%	1,500,000
Airline 4	5,000,000	7.6%	800,000
Airline 5	1,000,000	1.5%	200,000
	<u>\$66,000,000</u>	<u>100.0%</u>	<u>\$10,000,000</u>

Note: The results shown above are not projections.

(a) Only for airlines signatory to the Rate Agreement.

EXHIBIT E

Interim T1 Scheduling Protocols

Interim T1 Scheduling Protocols

Definitions.

The following terms have the meanings specified below.

"Active Loading" shall mean that period of time that commences (a) 30 minutes prior to the scheduled departure time for aircraft having a number of seats equal to or less than 99, (b) 45 minutes prior to the scheduled departure time for aircraft having 100 seats or more but less than 175 seats, (c) 60 minutes prior to the scheduled departure time for aircraft, having 175 seats or more, and that expires, regardless of aircraft size, 15 minutes after the scheduled departure time of the aircraft, or as such definition may be amended from time to time by the Executive Director in his or her sole discretion.

"Active Periods" shall mean the periods of time when the Gate is in use for Active Loading and Active Unloading aircraft operations.

"Active Unloading" shall mean that period of time that commences 15 minutes prior to the scheduled arrival time of an aircraft and expires (a) 30 minutes after the scheduled arrival time for an aircraft having a number of seats equal to or less than 99, (b) 45 minutes after the scheduled arrival time for an aircraft having a number of seats equal to or between 100 and 174, or (c) 60 minutes after the scheduled arrival time for an aircraft having a number of seats equal to or greater than 175, or as such definition may be amended from time to time by the Executive Director in his or her sole discretion.

"Departing Flight" shall mean a scheduled revenue aircraft operation Actively Loaded at the Terminal that takes off at the Airport.

"Departing Seats" shall mean the actual number of available seats on a Departing Flight.

"Non-Active Periods" shall mean the periods of time when Gate is not in use for Active Loading and Active Unloading aircraft operations.

"Utilization Measurement Period" shall mean either (i) a consecutive six (6) month period or (ii) a consecutive twelve (12) month period, as determined by the Executive Director in his or her sole discretion.

Minimum Utilization Requirement.

- A. For purposes of implementing the provisions under the Agreement regarding conversion of the Preferential-Use Gates to Common-Use Gates while the Interim Scheduling Protocols are in effect, the Minimum Utilization Requirement shall include the following two components:

- 1) The Minimum Performance Level for the average number of Departing Flights per gate per day during a Utilization Measurement Period.
 - 2) The Minimum Performance Level for the average number of Departing Seats per gate per day during a Utilization Measurement Period.
- B. LAWA shall find that the Tenant has failed to meet the Minimum Utilization Requirement if, during any Utilization Measurement Period, the Tenant does not exceed the Minimum Performance Level for at least one of the two components of the Minimum Utilization Requirement and is not projected by the Landlord to exceed such Minimum Performance Level for the then forthcoming six (6) months based on publically available published schedules.

Minimum Performance Levels.

- A. For calendar year 2012 the Minimum Performance Levels are as follows:
- 1) Average number of Departing Flights per gate per day: 6.0 Departing Flights
 - 2) Average number of Departing Seats per gate per day: 824 Departing Seats
- B. For the purpose of determining whether the Tenant has met the Minimum Utilization Requirement:
- 1) the number Southwest gates in T1 shall be 12, unless (i) the number of gates is reduced in which case the number of gates for purposes of determining whether the Tenant has met the Minimum Utilization Requirement shall be reduced by the number of gates that have been converted, or (ii) the parties mutually agree to the reduction in the number of gates;
 - 2) the Landlord shall exclude Departing Flights and Departing Seats in other terminals;
 - 3) the Landlord shall include, in calculating the number of Tenant's Departing Flights and Departing Seats, handled airlines, accommodated Requesting Airlines, alliance partner airlines, codeshare airlines, and the Tenant's Landlord-approved subtenants; and
 - 4) for the purpose of calculating average Departing Flights, the Landlord will discount the value of the contribution of Departing Flights (i) for aircraft having 66 seats or more but less than 110 by fifty percent (50%) and (ii) for aircraft having less than 66 seats by seventy-five percent (75%).
- C. The Minimum Performance Levels for Departing Flights and Departing Seats shall automatically adjust on an annual basis proportional to the change in total passengers

using the Airport with calendar year 2012 as the base year. The annual adjustment will occur each January 1 based on the total passengers using the Airport in the immediately preceding year.

EXHIBIT F

Child Support Assignment Orders

LOS ANGELES ADMINISTRATIVE CODE

Div. 10, Ch. 1, Art. 1

CHILD SUPPORT

Sec. 10.10. Child Support Assignment Orders.

a. Definitions.

1. **Awarding Authority** means a subordinate or component entity or person of the City (such as a City department or Board of Commissioners) that has the authority to enter into a contract or agreement for the provision of goods or services on behalf of the City of Los Angeles.

2. **Contract** means any agreement, franchise, lease or concession including an agreement for any occasional professional or technical personal services, the performance of any work or service, the provision of any materials or supplies, or the rendering of any service to the City of Los Angeles or to the public which is let, awarded or entered into with, or on behalf of, the City of Los Angeles or any awarding authority thereof.

3. **Contractor** means any person, firm, corporation, partnership or any combination thereof which submits a bid or proposal or enters into a contract with any awarding authority of the City of Los Angeles.

4. **Subcontractor** means any person, firm, corporation, partnership or any combination thereof who enters into a contract with a contractor to perform or provide a portion of any contract with the City.

5. **Principal Owner** means any person who owns an interest of 10 percent or more in a contractor or subcontractor as defined herein.

b. Mandatory Contract Provisions.

Every contract that is let, awarded or entered into with or on behalf of the City of Los Angeles shall contain a provision obligating the contractor or subcontractor to fully comply with all applicable State and Federal employment reporting requirements for the contractor or subcontractor's employees. The contractor or subcontractor will also be required to certify that the principal owner(s) thereof are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them

personally, that the contractor or subcontractor will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignments in accordance with California Family Code §§ 5230 *et seq.* and that the contractor or subcontractor will maintain such compliance throughout the term of the contract.

Failure of a contractor or subcontractor to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignments or Notices of Assignment or failure of the principal owner(s) to comply with any Wage and Earnings Assignments or Notices of Assignment applicable to them personally shall constitute a default under the contract. Failure of the contractor or subcontractor or principal owner thereof to cure the default within 90 days of notice of such default by the City shall subject the contract to termination.

c. Notice to Bidders.

Each awarding authority shall be responsible for giving notice of the provisions of this ordinance to those who bid on, or submit proposals for, prospective contracts with the City.

d. Current Contractor Compliance.

Within 30 days of the operative date of this ordinance, the City, through its operating departments, shall serve upon existing contractors a written request that they and their subcontractors (if any) comply with all applicable State and Federal employment reporting requirements for the contractor and subcontractor's employees, that they certify that the principal owner(s) of the contractor and any subcontractor are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally, that the contractor and subcontractor will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignments in accordance with California Family Code § 5230 *et seq.* and that the contractor and subcontractor will maintain such compliance throughout the term of the contract.

e. City's Compliance with California Family Code.

The City shall maintain its compliance with the provisions of California Family Code §§ 5230 *et seq.* and all other applicable law regarding its obligations as an employer to implement lawfully served Wage and Earnings Assignments and Notices of Assignment.

f. Report of Employees' Names to District Attorney.

1. The City shall maintain its current practice of assisting the District Attorney's support enforcement activities by annually reporting to the Los Angeles County District Attorney the names of all of its employees and retirees so that the District Attorney may identify those employees and retirees subject to Wage and Earnings Assignment Orders and Notices of Assignment and may establish court orders for support, where appropriate. Should the District Attorney so request it, the City will provide such information on a more frequent basis.

2. All applicants for employment with the City of Los Angeles will be asked to acknowledge their responsibility to comply with any court ordered support obligations and will be advised of the City's practice of assisting the District Attorney as described in the provisions of Subsection f.1., above.

SECTION HISTORY

Added by Ord. No. 172,401, Eff. 2-13-99.

City of Los Angeles

CERTIFICATION OF COMPLIANCE WITH CHILD SUPPORT OBLIGATIONS

This Document must be returned with the Contract/Lease/Agreement

The undersigned hereby agrees that Southwest Airlines will:
(Name of Business)

1. Fully comply with all applicable State and Federal reporting requirements for its employees.
2. Fully comply with and implement all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment.
3. Certify that the principal owner(s) of the business are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally.
4. Certify that the business will maintain such compliance throughout the term of the contract.

I declare under penalty of perjury that the foregoing is true and correct. Executed this _____
day of Jan, 200¹³ at Dallas TX
City/County State

Southwest Airlines 2702 Love Field Dr
Name of Business Address Dallas, TX 75235

Bob Montgomery Bob Montgomery
Signature of Authorized Representative Print Name
V.P. Airport Affairs 214 792-4365
Title Telephone Number

EXHIBIT G

Contractor Responsibility Program

LOS ANGELES WORLD AIRPORTS



CONTRACTOR RESPONSIBILITY PROGRAM

RULES AND REGULATIONS FOR LEASES

Effective date: July 1, 2012

Procurement Services Division
7301 World Way West, 4th Floor
Los Angeles, CA 900145
(424) 646-5380
(424) 646-9262 (Fax)

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**Los Angeles World Airports (LAWA)
Contractor Responsibility Program for Leases
Rules and Regulations for Leases**

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These Rules and Regulations are promulgated pursuant to Board Resolution #21601, the Los Angeles World Airports Contractor Responsibility Program (CRP). Each Requesting LAWA Division shall cooperate to the fullest extent with the Executive Director in the administration of the CRP. The Executive Director may amend these Rules and Regulations from time to time as required for the implementation of the CRP.

A. DEFINITIONS

- (a) **"Awarding Authority"** means either the Executive Director or the Board or the Board's designee.
- (b) **"Bid"** means an application submitted by a bidder in response to an Invitation for Bid, Request for Proposal or Request for Qualifications or other procurement process.
- (c) **"Bidder"** means any person or entity that applies for any contract whether or not the application process is through an Invitation for Bid, Request for Proposal, Request for Qualifications or other procurement process.
- (d) **"Board"** means the City of Los Angeles Board of Airport Commissioners.
- (e) **"Contract"** means any agreement for the performance of any work or service, the provisions of any goods, equipment, materials or supplies, or the rendition of any service to LAWA or to the public or the grant of a Public Lease, which is awarded or entered into by or on behalf of LAWA. The provisions of these Rules and Regulations shall apply to all leases that require Board approval.
- (f) **"Contractor"** means any person, firm, corporation, partnership, association or any combination thereof, which enters into a Contract with LAWA and includes a Public Lessee.
- (g) **"CRP Pledge of Compliance"** means the CRP Pledge of Compliance developed by PSD. The CRP Pledge of Compliance shall require Public Lessees and Public Sublessees to sign under penalty of perjury that the Public Lessees and Public Sublessees will:
 - (1) Comply with all applicable Federal, State, and local laws and regulations during the performance of the lease, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.
 - (2) Notify LAWA within 30 calendar days after receiving notification that any government agency has initiated an investigation that may result in a finding that

**Los Angeles World Airports (LAWA)
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the tenant or did not comply with subparagraph (g)(1) above in the performance of the contract.

- (3) Notify LAWA within 30 calendar days of all findings by a government agency or court of competent jurisdiction that the Public Lessee or Public Sublessee has violated subparagraph (g)(1) above in the performance of the Public Lease.
- (4) Provide LAWA within 30 calendar days updated responses to the CRP Questionnaire if any change occurs which would change any response contained within the completed CRP Questionnaire. Note: This provision does not apply to amendments of Public Leases not subject to the CRP and to Public Sublessees not required to submit a CRP Questionnaire.
- (5) Ensure that Public Lessees and Public Sublessees with LAWA leases shall complete, sign and submit a CRP Pledge of Compliance attesting under penalty of perjury to compliance with subparagraphs (u)(1) through (4).
- (6) Notify LAWA within 30 days of becoming aware of an investigation, violation or finding of any applicable Federal, State, or local law involving Public Sublessees in the performance of a LAWA contract.
- (7) Cooperate fully with LAWA during an investigation and to respond to request(s) for information within ten (10) working days from the date of the Notice to Respond.
- (h) **"CRP Questionnaire"** means the set of questions developed by PSD that will assist LAWA in determining a bidder, proposer's or contractor's responsibility. Information solicited from the CRP Questionnaire may include but is not limited to: ownership and name changes, financial resources and responsibility, satisfactory performance of other contracts, satisfactory record of compliance with relevant laws and regulations, and satisfactory record of business integrity. PSD may amend the CRP Questionnaire from time to time.
- (i) **"Executive Director"** means the Executive Director of the City of Los Angeles Department of Airports.
- (j) **"Invitation for Bid" ("IFB")** means the process through which the City solicits Bids including Request for Proposals ("RFP") and Requests for Qualifications ("RFQ").
- (k) **"Los Angeles World Airports"** means the City of Los Angeles Department of Airports.
- (l) **"PSD"** means LAWA's Procurement Services Division.
- (m) **"Public Lease"** means a lease of LAWA property.
- (n) **"Public Lessee"** means a Contractor that leases LAWA property under a Public Lease.

- (o) **"Public Sublessee"** means a Subcontractor that subleases LAWA property from a Public Lessee.
- (p) **"PSD"** means LAWA's Procurement Services Division.
- (q) **"Subcontractor"** means any person not an employee who enters into a contract with a Contractor to assist the Contractor in performing a Contract, including a Contractor or subcontractor of a Public Lessee or Public Sublessee, to perform or assist in performing services on the leased premises.
- (r) **"Prospective Lessee"** means any person, firm, corporation, partnership, association or any combination thereof that currently does not have a Public Lease.
- (s) **"Prospective Sublessee"** means any person, firm, corporation, partnership, association or any combination thereof that currently does not sublease LAWA property from a Public Lessee.
- (t) **"Requesting LAWA Division"** means the LAWA division(s) which issued the RFB, RFP or RFQ.
- (u) **"Responsibility"** means possessing the necessary "trustworthiness" and "quality, fitness and capacity" to perform the work set forth in the contract.

B. SUBMISSION OF CRP QUESTIONNAIRES

1. **Prospective Lessees** are required to submit a completed and signed CRP Questionnaire for determination of responsibility prior to award of a Public Lease.
2. **Public Lessees, Prospective Sublessees and Public Sublessees** are not required to submit a completed and signed CRP Questionnaire.

C. LAWA REVIEW OF SUBMITTED CRP QUESTIONNAIRES (APPLICABLE TO PROSPECTIVE LESSEES ONLY)

1. Posting of CRP Questionnaires and Sublessee Lists:

The Requesting LAWA Division will forward to PSD the completed CRP Questionnaires and sublessee list(s), if any, submitted by the Prospective Lessees to make available for public review and comment for a minimum of fourteen (14) calendar days prior to the award of the Public Lease.

2. Departmental Review of CRP Questionnaires

- a. PSD will determine Contractor Responsibility from the completeness and accuracy of the information in the submitted CRP Questionnaire; information from various

**Los Angeles World Airports (LAWA)
Contractor Responsibility Program for Leases
Rules and Regulations for Leases**

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compliance and regulatory agencies; accuracy and completeness of the information received from the public; and through PSD's own reviews and investigations.

- b. PSD may submit written requests to the Prospective Lessee for clarification or additional documentation. Failure to respond to these requests within the specified time may render the Prospective Lessee non-responsible and disqualified.
- c. PSD will report its findings and determination to the Requesting LAWA Division.
- d. No award of a Public Lease will be made by LAWA until after the CRP Questionnaire review and Contractor Responsibility determination has been made.
- e. The CRP Questionnaire of the Prospective Lessee that is awarded a Public Lease will be retained by PSD. The CRP Questionnaires of the Prospective Lessees that are not awarded a Public Lease will also be retained by PSD.

3. Claims Resulting from Public Review and Comments

Prospective Lessees:

- a. Claims regarding a Prospective Lessee's responsibility must be submitted to PSD in writing. However, PSD may investigate a claim regarding a Prospective Lessee's responsibility, whether or not it is submitted in writing.
- b. If PSD receives information which calls into question a Prospective Lessee's responsibility, and the information was received **before** LAWA awards a Public Lease to the Prospective Lessee, PSD shall:
 - (1) Notify the Requesting LAWA Division in writing that LAWA will not award a Public Lease, until PSD has completed investigation into the matter.
 - (2) Investigate the complaint, collect necessary documentation, and determine the complaint's validity.
 - (3) Upon completion of the investigation, notify the Requesting LAWA Division in writing of the results of the investigation.
 - (4) Findings from the PSD investigation received by the Requesting LAWA Division will be considered by the Awarding Authority as part of the determination of the Prospective Lessee's responsibility.

Public Lessee:

- a. Claims regarding a Public Lessee's responsibility must be submitted to PSD in writing. However, PSD may investigate a claim regarding a Public Lessee's responsibility, whether or not it is submitted in writing.

- b. If PSD receives written information that calls into question a Public Lessee's responsibility, PSD shall investigate the matter as required in Section G, LAWA Investigation.

D. AWARD AND EXECUTION OF PUBLIC LEASES

1. Determination of Responsibility and Award of Public Lease

- a. PSD shall determine whether a Prospective Lessee is a responsible lessee with the necessary trustworthiness, quality, fitness and capacity to comply with the terms of the Public Lease by considering the following:
 - (1) Completeness and accuracy of the information contained in the CRP Questionnaire;
 - (2) Completeness and accuracy of the information received from the public;
 - (3) Information and documentation from PSD's own investigation; and
 - (4) Information that may be available from any compliance or regulatory governmental agency.
- b. The Awarding Authority may award and execute a Public Lease to a Prospective Lessee only if:
 - (1) The Prospective Lessee's CRP Questionnaire, and sublessee's list(s), if any, has been made available for public review for at least fourteen (14) calendar days unless otherwise exempted from the posting requirement by the CRP;
 - (2) The Prospective Lessee is not being investigated pursuant to the CRP;
 - (3) The Prospective Lessee has not been found to be a non-responsible lessee pursuant to the CRP;
 - (4) The Prospective Lessee does not appear on any City list of debarred bidders or contractors; and
 - (5) The Prospective Lessee has met all other applicable City requirements.

2. Submission of Pledge of Compliance

Prospective Lessees/Prospective Sublessees:

- a. Unless otherwise exempt from the CRP, all Prospective Lessees and Prospective Sublessees are required to submit a CRP Pledge of Compliance signed under penalty of perjury. Failure to submit a CRP Pledge of Compliance as required may render the Prospective Lessees or Prospective Sublessees, as applicable, non-compliant with the terms of the Public Lease or a consent to sublease, as applicable, and subject to sanctions.

Public Sublessees:

- b. Prior to LAWA's execution of a consent to sublease with a Prospective Sublessee, the Public Lessee shall submit to LAWA a signed CRP Pledge of Compliance from each Public Sublessee listed as occupying space on the leasehold premises.

3. Public Sublessee Responsibility

- a. Public Lessees shall ensure that their sublessees meet the criteria for responsibility set forth in the CRP and these Rules and Regulations.
- b. Public Lessees shall ensure that sublessees occupying space on the LAWA leasehold premises shall complete and submit a signed CRP Pledge of Compliance.
- c. Public Lessees shall not sublease to any sublessee that has been determined or found to be a non-responsible contractor by LAWA or the City.
- d. Subject to approval by the Awarding Authority, Public Lessees may substitute a non-responsible sublessee with another sublessee.

4. Execution of Public Leases/Consent to Subleases

Prospective Lessees:

- a. Unless exempt from the CRP, all Public Leases subject to the CRP shall contain language obligating the Public Lessee to comply with the CRP.
- b. No Public Lease may be awarded unless:
 - (1) The Prospective Lessee's CRP Questionnaire, unless otherwise exempt, has been made available for public review for at least fourteen (14) calendar days
 - (2) The Prospective Lessee has submitted a signed CRP Pledge of Compliance.
 - (3) The Prospective Lessee's sublessee list, if any, has been made available for public review for at least fourteen (14) calendar days.
 - (4) The Prospective Lessee is determined by LAWA to be a Responsible Contractor.

Prospective Sublessee:

- a. Unless exempt from the CRP, all subleases subject to the CRP shall contain language obligating the Public Sublessee to comply with the CRP.
- b. No consent to sublease will be executed by LAWA unless the Public Lessee has submitted a signed CRP Pledge of Compliance by the Prospective Sublessee.

E. LEASE AMENDMENTS

Compliance with the CRP is required in any amendment to a Public Lease if the initial lease was not subject to the CRP, but the total term and amount of the lease, inclusive of all amendments, would make the lease subject to the CRP.

- a. A Public Lessee subject to the CRP because of an amendment to the Public Lease shall submit a CRP Pledge of Compliance to LAWA before the amendment can be executed by LAWA.
- b. Unless exempt from the CRP, all Public Lease amendments shall contain contract language obligating the Public Lessee to comply with the CRP.

F. NOTIFICATION OF INVESTIGATIONS AND UPDATE OF INFORMATION

1. Notification of Investigations

Public Lessees shall:

- a. Notify LAWA within 30 calendar days after receiving notification that any government agency has initiated an investigation that may result in a finding that the Public Lessee is not in compliance with any applicable Federal, State, or local law that apply to the Public Lease or City lease agreement, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.
- b. Notify LAWA within 30 calendar days of receiving notice of any findings by a government agency or court of competent jurisdiction that the Public Lessee violated any applicable Federal, State, or local law that apply to the Public Lease or City lease agreement, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.

2. Public Sublessee Notification of Investigations

Public Lessees shall ensure that Public Sublessees occupying the LAWA leasehold premises abide by these same updating requirements, including the requirement to:

- a. Notify LAWA within 30 calendar days after receiving notification that any government agency has initiated an investigation which may result in a finding that the Public Sublessee did not comply with any applicable Federal, State, or local law that apply to the Public Lease or City lease agreement, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.

- b. Notify LAWA within 30 calendar days of all findings by a government agency or court of competent jurisdiction that the Public Sublessee violated any applicable Federal, State, or local law that apply to the Public Lease or City lease agreement, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws which affect employees.

3. Update of CRP Questionnaire Information – applies to Public Lessees only.

- a. Updates of information contained in the Public Lessee's responses to the CRP Questionnaire shall be submitted to LAWA within thirty (30) days of any changes to the responses if the change would affect the Public Lessee's fitness and ability to comply with the terms of the Public Lease.
- b. PSD, or the Requesting LAWA Division, shall determine whether a Public Lessee in a specific situation should have provided updated information.
 - (1) If PSD, or the Requesting LAWA Division, becomes aware of new information concerning a Public Lessee and determines that the Public Lessee should have provided information or updated LAWA of such information, but the Public Lessee has not done so, PSD shall issue a written notice to the Public Lessee requiring the Public Lessee to submit the required information within (ten) 10 calendar days.
 - (2) If PSD or the Requesting LAWA Division becomes aware of new information concerning a Public Sublessee and determines that the Public Sublessee should have provided information or updated LAWA of such information, but the Public Sublessee has not done so, PSD shall issue a written notice to the Public Lessee requiring the Public Sublessee to submit the required information within (ten) 10 calendar days of receipt of the written notice.
- c. The Public Lessee's failure to provide information or updated information when required by LAWA, the CRP or these Rules and Regulations, may be considered a material breach of the Public Lease, and LAWA may initiate a "Non-Responsibility Hearing" pursuant to the procedures set forth in Section I of these Rules and Regulations.

- 4. Submission of CRP Questionnaire and Updates of CRP Questionnaire Responses Not Applicable to Sublessees:** The requirement that Public Lessees submit to LAWA CRP Questionnaires and updates to the CRP Questionnaire responses does not apply to Public Sublessees.

G. LAWA INVESTIGATION

- 1. Reporting of Alleged Violations:** Allegations of violations of the CRP or these Rules and Regulations shall be reported to PSD. Complaints regarding a Prospective

Lessee's or Public Lessee's responsibility should be submitted to PSD in writing. However, PSD may investigate any claim or complaint regarding a Prospective Lessee's or Public Lessee's responsibility, whether or not it is submitted in writing. Whether based on a written complaint or otherwise, PSD shall be responsible for investigating such alleged violations.

2. Process:

- a. Upon receipt of a complaint or upon initiation of an investigation, PSD shall notify the Requesting LAWA Division, the Awarding Authority, and the Prospective Lessee or Public Lessee, as applicable, in writing that an investigation has been initiated.
- b. The Prospective Lessee or Public Lessee, as applicable, shall cooperate fully with PSD in providing information. If the Prospective Lessee or Public Lessee, as applicable, fails to cooperate with PSD's investigation or fails to timely respond to PSD's requests for information, LAWA may initiate a non-responsibility hearing as set forth in Section I of these Rules and Regulations. A failure to cooperate by a Public Lessee may be deemed a material breach of the Public Lease, and the City may pursue all available remedies.
- c. To the extent permissible, PSD shall maintain the identity of the complainant, if any, confidential.
- d. Upon completion of the investigation, PSD shall prepare a written report of the findings and notify the Requesting LAWA Division, the Awarding Authority, and the Prospective Lessee or Public Lessee, as applicable, of the results.

3. Results of Investigation

Prospective Lessee

- a. When an investigation is completed before a Public Lease is awarded, PSD shall notify the Requesting LAWA Division and the Awarding Authority of the results, and the Requesting LAWA Division and the Awarding Authority will consider the information as part of the determination of a Prospective Lessee's responsibility during the bid/proposal review process.

Public Lessees

- b. When an investigation is completed after the execution of a Public Lease:
 - (1) If violations of the CRP are found, PSD shall notify the Requesting LAWA Division and the Public Lessee of the violation and require the Public Lessee to make corrections or take reasonable measures within 10 calendar days.
 - (2) If the Public Lessee fails to make corrections as required, PSD shall notify the

Requesting LAWA Division and the Awarding Authority and may recommend that the Awarding Authority:

- (i) Terminate the Public Lease.
- (ii) Initiate a hearing to declare the Public Lessee a non-responsible lessee.

H. VIOLATIONS OF THE CRP OR ITS RULES AND REGULATIONS

1. Violations of the CRP or of these Rules and Regulations may be considered a material breach of the Public Lease and may entitle LAWA or the City to terminate the Public Lease.
2. Alleged violations of the CRP or of these Rules and Regulations shall be reported to the PSD which will investigate all such complaints.
3. When a violation of the CRP or of these Rules and Regulations is found, PSD shall notify the Public Lessee and the Awarding Authority of the violation. PSD shall require the Public Lessee to correct the violation within 10 calendar days. Failure to correct violations or take reasonable measures to correct violations within 10 calendar days may result in PSD:
 - a. Recommending that the Awarding Authority declare a material breach of the Public Lease and that the Awarding Authority exercise all contractual and legal remedies available, including but not limited to termination of the Public Lease.
 - b. Recommending that the Awarding Authority declare the Public Lessee a non-responsible lessee by initiating, within 30 calendar days or as soon as practicable, a non-responsibility hearing in accordance with Section I of these Rules and Regulations.

I. NON-RESPONSIBILITY HEARING

1. The process of declaring a Prospective Lessee or a Public Lessee a non-responsible lessee shall be initiated by the Awarding Authority after consultation with the City Attorney's Office.
2. Before a Prospective Lessee or a Public Lessee may be declared non-responsible, the Prospective Lessee or a Public Lessee shall be notified of the proposed determination of non-responsibility and provided with an opportunity for a hearing.
3. The Awarding Authority or the Executive Director's designee shall preside over the non-responsibility hearing and shall provide the Prospective Lessee or Public Lessee with the following:

- a. The Prospective Lessee or Public Lessee shall be provided with written Notice of intent to declare the Prospective Lessee or Public Lessee non-responsible ("Notice") which shall state that the Awarding Authority intends to declare the Prospective Lessee or Public Lessee a non-responsible bidder, proposer or lessee.
- b. The Notice shall provide the Prospective Lessee or Public Lessee with the following information:
 - (1) That the Awarding Authority intends to declare the Prospective Lessee or Public Lessee a non-responsible bidder, proposer or lessee.
 - (2) A summary of the information upon which the Awarding Authority is relying.
 - (3) That the Prospective Lessee or Public Lessee has a right to respond to the information by requesting a hearing to rebut adverse information and to present evidence of its necessary trustworthiness, quality, fitness and capacity to comply with the terms of the Public Lease or proposed Public Lease.
 - (4) That the Prospective Lessee or Public Lessee must exercise the right to a hearing by submitting to the Awarding Authority a **written request** for a hearing **within 10 working days** of the date of the Notice.
 - (5) That failure to submit a written request for hearing within 10 working days of the date of the Notice shall be considered a waiver of the right to a hearing that allows the Awarding Authority to proceed with the determination of non-responsibility.
- c. If the Prospective Lessee or Public Lessee submits a written request for a hearing, the hearing may be held by the Awarding Authority for recommendation to the Board, which shall make the final decision.
- d. The hearing must allow the Prospective Lessee or Public Lessee an opportunity to address the issues contained in the Notice of Intent to declare the Prospective Lessee or a Public Lessee non-responsible.
- e. The Awarding Authority may determine that the Prospective Lessee or Public Lessee:
 - (1) Does not possess the necessary trustworthiness, quality, fitness, or capacity to comply with the terms of the Public Lease or proposed Public Lease, should be declared a non-responsible bidder, proposer or lessee, and recommend to the Board invocation of the remedies set forth in Section J of these Rules and Regulations.
 - (2) Should not be declared a non-responsible bidder, proposer or lessee.
- f. The Board's determination shall be final and constitute exhaustion of administrative remedies.
- g. The Board's final decision shall be in writing and shall be provided to the Prospective Lessee or Public Lessee, the LAWA Requesting Division and to PSD. If the Prospective Lessee or Public Lessee is declared to be non-responsible, a copy of the final decision shall also be provided to the CAO.

J. NON-RESPONSIBILITY SANCTIONS

Sanctions for Airline Tenants:

Airline lessees that do not comply with the CRP requirements or are determined non-responsible by LAWA will be declared to have a material breach of the Public Lease. LAWA may exercise its legal remedies thereunder, which are to include, but are not limited to:

1. Non-issuance of a successor air carrier operating permit, resulting in the payment of higher landing fees as a non-permitted carrier.
2. Termination of the Public Lease, which may result in the loss of exclusive or preferential gate assignments.

Sanctions for Non-Airline Tenants:

1. **Prospective Lessees** that do not comply with CRP requirements and/or are determined non-responsible by LAWA will be disqualified and will not be awarded a Public Lease.
2. **Public Lessees** that do not comply with CRP requirements and/or are determined non-responsible will be declared to have a material breach of the Public Lease. LAWA may exercise its legal remedies thereunder, which are to include, but not limited to the termination of the Public Lease.

Such lessee shall not occupy any leasehold premises in the proposed Public Lease, whether as a master lessee, a sublessee, a partner in a partnership, a participant in a joint venture, a member of a consortium, or in any other capacity.

3. Upon final determination of a Prospective Lessee or Public Lessee as a non-responsible lessee, PSD shall provide the LAWA Requesting Division and the Prospective Lessee or Public Lessee, as applicable, with a written notice summarizing the findings and applicable sanctions.
4. PSD shall maintain a listing of Prospective Lessees/Public Lessees who have been found non-responsible by LAWA pursuant to the CRP.

K. EXEMPTIONS

1. **Categorical Exemption:** The following types of Public Leases are categorically exempt from the CRP and these Rules and Regulations:

Public Leases with a governmental entity such as the United States of America, the State of California, a county, city or public agency of such entities, or a public or quasi-public corporation located therein and declared by law to have such public status.

2. **Board approval required for CRP Exemptions:** The following types of Public Leases are exempt from the requirement to submit a Questionnaire but remain subject to the

requirement that the Public Lessee submit a Pledge of Compliance and notify the Awarding Authority within 30 days of any information regarding investigations of the results of investigations by any governmental agency into the Public Lessee's compliance with applicable laws.

- a. Public Leases awarded on the basis of exigent circumstances when the Board finds that LAWA would suffer a financial loss or that LAWA operations would be adversely impacted.
 - (1) The Awarding Authority shall submit a request to PSD for waiver along with written certification that the required conditions exist.
 - (2) No contract may be exempted under this provision unless PSD has granted written approval of the waiver.
- b. Public Leases entered into based on Charter Section 371(e)(6). The Awarding Authority must certify in writing that the Public Lease is entered into in accordance with Charter Section 371(e)(6).

L. EFFECTIVE DATE OF RULES AND REGULATIONS

1. These Rules and Regulations apply to RFBs and RFPs issued after the Executive Director has approved these Rules and Regulations.
2. These Rules and Regulations apply to Public Leases entered into by LAWA after the Executive Director has approved these Rules and Regulations.
3. Public Leases amended after these Rules and Regulations are approved by the Executive Director will become subject to CRP and these Rules and Regulations if they meet definitions contained in the CRP and these Rules and Regulations.

M. CONSISTENCY WITH FEDERAL AND STATE LAW

The CRP and these Rules and Regulations do not apply in instances where application would be prohibited by Federal and State law or where the application would violate or be inconsistent with the terms and conditions of a grant or contract with the Federal or State agency.

N. SEVERABILITY

If any provision of the CRP or these Rules and Regulations are declared legally invalid by any court of competent jurisdiction, the remaining provisions remain in full force and effect.

**LOS ANGELES WORLD AIRPORTS
CONTRACTOR RESPONSIBILITY PROGRAM
PLEDGE OF COMPLIANCE FOR LEASES**

The Los Angeles World Airports (LAWA) Contractor Responsibility Program (Board Resolution #21801) provides that, unless specifically exempted, LAWA Tenants for leases that require the Board of Airport Commissioners' approval shall comply with all applicable provisions of the LAWA Contractor Responsibility Program. Tenants for leases subject to the CRP are required to complete and submit this Pledge of Compliance with the lease agreement.. In addition, within ten (10) days of execution of any sublease agreement, the Tenant shall submit to LAWA this Pledge of Compliance from each Subtenant listed as performing work on, or otherwise occupying, the leasehold premises.

The Tenant agrees to comply with the Contractor Responsibility Program and the following provisions:

- (a) To comply with all applicable Federal, State, and local laws that apply to the lease agreement, including but not limited to, laws regarding health and safety, labor and employment, wage and hours, and licensing laws which affect employees.
- (b) To notify LAWA within thirty (30) calendar days after receiving notification that any government agency has initiated an investigation that may result in a finding that the Tenant is not in compliance with paragraph (a).
- (c) To notify LAWA within thirty (30) calendar days of all findings by a government agency or court of competent jurisdiction that the Tenant has violated paragraph (a).
- (d) To ensure that Subtenants occupying space through any Sublease in connection with a LAWA lease agreement shall complete and sign a Pledge of Compliance attesting under penalty of perjury to compliance with paragraphs (a) through (c) herein. To submit to LAWA the completed Pledges.
- (e) To notify LAWA within thirty (30) days of becoming aware of an investigation, violation or finding of any applicable Federal, State, or local law involving any Subtenant(s) in the LAWA lease agreement.
- (f) To cooperate fully with LAWA during an investigation and to respond to request(s) for information within ten (10) working days from the date of the Notice to Respond.

Failure to sign and submit this form to LAWA as required may render the Tenant non-compliant with the terms of the lease and subject to CRP sanctions.

Southwest Airlines Co.

Company Name, Address and Phone Number

Bob Montgomery

Signature of Officer or Authorized Representative

11/22/13

Date

Bob Montgomery Vice Pres. Airport Affairs

Print Name and Title of Officer or Authorized Representative

Project Title

EXHIBIT H

First Source Hiring Program

FIRST SOURCE HIRING PROGRAM FOR AIRPORT EMPLOYEES

- I. Purpose. The purpose of this First Source Hiring Program is to facilitate the employment of Targeted Applicants by Airport Employers. It is a goal of this First Source Hiring Program that this Program benefit Airport Employers by providing a pool of qualified job applicants through a non-exclusive referral system.
- II. Definitions. As used in this Program, the following capitalized terms shall have the following meanings. All definitions include both the singular and plural form.

"Airport" shall mean Los Angeles International Airport.

"Airport Employer" shall mean a party that, through a contract, lease, licensing arrangement, or other arrangement, agrees to comply with this First Source Hiring Program with regard to Airport Jobs. Operators of transportation charter party limousines, non-tenant shuttles, and taxis shall not be considered Airport Employers.

"Airport Job" shall mean a job that either (i) is performed On-Site, or (ii) is directly related to a contract, lease, licensing arrangement, or other arrangement under which the employer is an Airport Employer. Positions for which City's Worker Retention Policy requires hiring of particular individuals shall not constitute Airport Jobs for purposes of this Program.

"City" shall mean the City of Los Angeles.

"Coalition" shall mean the LAX Coalition for Economic, Environmental, and Educational Justice, an unincorporated association comprised exclusively of the following organizations: AGENDA; AME Minister's Alliance; Clergy and Laity United for Economic Justice; Coalition for Clean Air; Communities for a Better Environment; Community Coalition; Community Coalition for Change; Environmental Defense; Inglewood Coalition for Drug and Violence Prevention; Inglewood Democratic Club; Lennox Coordinating Council; Los Angeles Alliance for a New Economy; Los Angeles Council of Churches; Nation of Islam; Natural Resources Defense Council; Physicians for Social Responsibility Los Angeles; Service Employees International Union Local 347; and Teamsters Local 911.

"Coalition Representative" shall mean the following: The Coalition shall designate one individual as the "Coalition Representative" authorized to speak or act on behalf of the Coalition for all purposes under the Cooperation Agreement. The Coalition Representative may designate one or more assistants to assist the Coalition Representative in speaking or acting on behalf of the Coalition with respect to any specific program or activity or any other matter. The Coalition shall provide LAWA with contact information for the Coalition Representative upon request.

"Cooperation Agreement" shall mean the Cooperation Agreement between LAWA and

the LAX Coalition for Economic, Environmental and Educational Justice.

"LAWA" shall mean Los Angeles World Airports.

"Low-Income Individual" shall mean an individual whose household income is no greater than 80% of the median income, adjusted for household size, for the Primary Metropolitan Statistical Area.

"On-Site" shall mean physically located on property owned or leased by LAWA and pertaining to Airport.

"Program" shall mean this First Source Hiring Program.

"Project Impact Area" shall have the meaning set forth in the "Final Environmental Impact Report" for the LAX Master Plan Program, dated April 2004, as supplemented by one or more EIR Addenda prior to certification of the EIR by the City Council.

"Referral System" shall mean the referral system established to provide applicant referrals for the Program.

"Special Needs Individuals" shall mean: (i) individuals who receive or have received public assistance through the Temporary Assistance for Needy Families Program, within the past 24 months; (ii) individuals who are homeless; (iii) ex-offenders, (iv) chronically unemployed, and (v) dislocated airport workers.

"Targeted Applicants" shall have the meaning set forth in Section IV below.

III. Coverage. This Program shall apply to hiring by Airport Employers for all Airport Jobs, except for jobs for which the hiring procedures are governed by a collective bargaining contract that conflicts with this Program.

IV. Targeted Applicants. Referrals under the Program shall, to the extent permissible by law, be made in the order of priority set forth below.

- First Priority: Low-Income Individuals living in the Project Impact Area for at least one year and Special Needs Individuals; and
- Second Priority: Low-Income Individuals residing in City.

V. Initial Airport Employer Roles.

A. Liaison. Each Airport Employer shall designate a liaison for issues related to the Program. The liaison shall work with LAWA, the Coalition Representative, the Referral System provider, and relevant public officials to facilitate effective implementation of this Program.

B. Long-Range Planning. Any entity that becomes an Airport Employer at least two

(2) months prior to commencing operations related to Airport shall, at least two months prior to commencing operations related to Airport, provide to the Referral System the approximate number and type of Airport Jobs that it will fill and the basic qualifications necessary.

VI. Airport Employer Hiring Process.

- A. Notification of Job Opportunities. Prior to hiring for any Airport Job, an Airport Employer shall notify the Referral System, by e-mail or fax, of available job openings and provide a description of job responsibilities and qualifications, including expectations, salary, work schedule, duration of employment, required standard of appearance, and any special requirements (e.g., language skills, driver's license, etc.). Job qualifications shall be limited to skills directly related to performance of job duties.
- B. Referrals. After receiving a notification under Section VI.A above, the Referral System shall within five days, or longer time frame agreed to by the Referral System and Airport Employer, refer to the Airport Employer one or more Targeted Applicants who meet the Airport Employer's qualifications.
- C. Hiring.
 - 1. New Employer Targeted Hiring Period. When making initial hires for the commencement of an Airport Employer's operations related to Airport, the Airport Employer shall consider and hire only Targeted Applicants for a two week period following provision of the notification described in Section VI.A. After this period, the Airport Employer shall make good-faith efforts to hire Targeted Applicants, but may consider and hire applicants referred or recruited through any source.
 - 2. Established Employer Targeted Hiring Period. When making hires after the commencement of operations related to Airport, an Airport Employer shall consider and hire only Targeted Applicants for a five-day period following provision of the notification described in Section VI.A. After this period, the Airport Employer shall make good-faith efforts to hire Targeted Applicants, but may consider and hire applicants referred or recruited through any source.
 - 3. Hiring Procedure During Targeted Hiring Periods. During the periods described in Sections VI.C.1 and VI.C.2 above, Airport Employers may hire Targeted Applicants recruited or referred through any source. During such periods Airport Employers shall use normal hiring practices, including interviews, to consider all applicants referred by the Referral System.
 - 4. No Referral Fees. No Airport Employer or referred job candidate shall be

required to pay any fee, cost or expense of the Referral System or this Program in connection with referrals.

VII. Reporting and Recordkeeping.

- A. Reports. During the time that this Program is applicable to any Airport Employer, that Airport Employer shall, on a quarterly basis, notify the Referral System of the number, by job classification, of Targeted Applicants hired by the Airport Employer during that quarter, and the total number of employees hired by the Airport Employer for Airport Jobs during that quarter. Any Airport Employer who has not had hiring activity for the quarter, shall also notify the Referral System of such inactivity.
- B. Recordkeeping. During the time that this Program is applicable to any Airport Employer, that Airport Employer shall retain records sufficient for monitoring of compliance with this Program with regard to each Airport Job, including records of notifications sent to the Referral System, referrals from the Referral System, job applications received from any source, number of Targeted Applicants hired, and total number of employees hired for Airport Jobs. To the extent allowed by law, and upon reasonable notice, these records shall be made available to LAWA and to the Referral System for inspection upon request. The Coalition Representative may request that LAWA provide such records at anytime. Records may be redacted so that individuals are not identified by name and so that information required by law to remain confidential is excluded.
- C. Complaints. If LAWA, the Coalition, or the Referral System believes that an Airport Employer is not complying with this Program, then the designated LAWA office shall be notified to ensure compliance with this program.
- D. Liquidated Damages. Each Airport Employer agrees to pay to LAWA liquidated damages in the amount of One Thousand Dollars (\$1,000) where LAWA finds that the Airport Employer has violated this Program with regard to hiring for a particular Airport Job. LAWA shall establish procedures providing to Airport Employers notice and an opportunity to present all relevant evidence prior to LAWA's final determination regarding an alleged violation. This liquidated damages provision does not preclude LAWA from obtaining any other form of available relief to ensure compliance with this Program, including injunctive relief.

VIII. Miscellaneous.

- A. Compliance with State and Federal Law. This Program shall be implemented only to the extent that it is consistent with the laws of the State of California and the United States. If any provision of this Program is held by a court of law to be in conflict with state or federal law, the applicable law shall prevail over the terms of this Program, and the conflicting provisions of this Program shall not be

enforceable.

- B. Severability Clause. If any term, provision, covenant or condition of this Program is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall continue in full force and effect.
- C. Binding on Successors. This Program shall be binding upon and inure to the benefit of the successors in interest, transferees, assigns, present and future partners, subsidiary corporations, affiliates, agents, representatives, heirs, and administrators of any party that has committed to comply with it. Any reference in this Program to a party shall be deemed to apply to any successor in interest, transferee, assign, present or future partner, subsidiary corporation, affiliate, agent, representative, heir or administrator of such party; provided, however, that any assignment, transfer or encumbrance of a lease agreement, permit or contract in which this Program is incorporated shall only be made in strict compliance with the terms of such lease agreement, permit or contract and the foregoing shall not constitute consent to any such assignment, transfer or encumbrance.
- D. Lease Agreements and Contracts. Airport Employers shall not execute any sublease agreement or other contract under which Airport Jobs may occur directly or indirectly, unless the entirety of this Program is included as a material term thereof, binding on all parties.
- E. Assurance Regarding Preexisting Contracts. Each Airport Employer warrants and represents that as of the date of execution of this Program, it has executed no sublease agreement or other contract that would violate any provision of this Program had it been executed after the date of incorporation of this Program into a binding contract.
- F. Intended Beneficiaries. LAWA, the Coalition, and the Referral System are intended third-party beneficiaries of contracts and other agreements that incorporate this Program with regard to the terms and provisions of this Program. However, the parties recognize that only LAWA has the sole responsibility to enforce the provisions of this Program.
- G. Material Terms. All provisions of this Program shall be material terms of any lease agreement or contract in which it is incorporated.
- H. Effective Date. Section VI of this Program shall become effective on the effective date of the contract or agreement into which it is incorporated.
- I. Construction. Any party incorporating this Program into a binding contract has had the opportunity to be advised by counsel with regard to this Program. Accordingly, this Program shall not be strictly construed against any party, and the rule of construction that any ambiguities be resolved against the drafting party shall not apply to this Program.

- J. Entire Contract. This Program contains the entire agreement between the parties on the subjects described herein, and supersedes any prior agreements, whether written or oral. This Program may not be altered, amended or modified except by an instrument in writing signed in writing by all parties to the contract in which it is incorporated.

EXHIBIT I

Living Wage Ordinance

LOS ANGELES ADMINISTRATIVE CODE

Div. 10, Ch. 1, Art. 11

LIVING WAGE ORDINANCE

Sec. 10.37 Legislative Findings.

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

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

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

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

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

Requiring payment of the living wage serves both proprietary and humanitarian concerns of the City. Primarily because of the latter concern and experience to date regarding the failure of some employers to honor their obligation to pay the living wage, the 1998 amendments introduce additional enforcement mechanisms to ensure compliance with this important obligation. Non-complying employers must now face the prospect of paying civil penalties, but only if they fail to cure non-compliance after having been given formal notice thereof. Where non-payment is the issue, employers who dispute determinations of non-compliance may avoid civil penalties as well by paying into a City holding

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account the monies in dispute. Employees should not fear retaliation, such as by losing their jobs, simply because they claim their right to the living wage, irrespective of the accuracy of the claim. The 1998 amendments strengthen the prohibition against retaliation to serve as a critical shield against such employer misconduct.

SECTION HISTORY

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

Sec. 10.37.1 Definitions.

The following definitions shall apply throughout this article:

- (a) "Airport" means the Department of Airports and each of the airports which it operates.
- (b) "Airport Employer" means an Employer, as the term is defined in this section, at the Airport.
- (c) "Airport Employee" means an Employee, as the term is defined in this section, of an Airport Employer.
- (d) "Awarding authority" means that subordinate or component entity or person of the City (such as a department) or of the financial assistance recipient that awards or is otherwise responsible for the administration of a service contract or public lease or license, or, where there is no such subordinate or component entity or person, then the City or the City financial assistance recipient.
- (e) "City" means the City of Los Angeles and all awarding authorities thereof, including those City departments which exercise independent control over their expenditure of funds, but excludes the Community Redevelopment Agency of the City of Los Angeles ("CRA"). The CRA is urged, however, to adopt a policy similar to that set forth in this article.
- (f) "City financial assistance recipient" means any person who receives from the City discrete financial assistance for economic development or job growth expressly articulated and identified by the City, as contrasted with generalized financial

assistance such as through tax legislation, in accordance with the following monetary limitations. Assistance given in the amount of one million dollars (\$1,000,000) or more in any twelve-month period shall require compliance with this article for five years from the date such assistance reaches the one million dollar (\$1,000,000) threshold. For assistance in any twelve-month period totaling less than one million dollars (\$1,000,000) but at least one hundred thousand dollars (\$100,000), there shall be compliance for one year if at least one hundred thousand dollars (\$100,000) of such assistance is given in what is reasonably contemplated at the time to be on a continuing basis, with the period of compliance beginning when the accrual during such twelve-month period of such continuing assistance reaches the one-hundred thousand dollar (\$100,000) threshold.

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

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

City Council. Waivers shall be affected by Council resolution.

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

*Technical correction due to re-lettering of subsections: "Subsection (f)" corrected to "Subsection (i)".

(h) "Designated Administrative Agency (DAA)" means the Department of Public Works, Bureau of Contract Administration, who shall bear administrative responsibilities under this article.

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

(j) "Employer" means any person who is a City financial assistance recipient, contractor, subcontractor, public lessee, public sublessee, public

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

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

(l) "Public lease or license".

(a) Except as provided in (l)(b)*, "Public lease or license" means a lease or license of City property on which services are rendered by employees of the public lessee or licensee or sublessee or sublicensee, or of a contractor or subcontractor, but only where any of the following applies:

*Technical correction due to re-lettering of subsections: "(i) (b)" corrected to "(l) (b)".

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

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

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

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

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

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

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

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

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

(6) A lessee or licensee shall be deemed to employ no more than seven (7) people if the company's entire workforce worked an average of no more than one thousand two-hundred fourteen (1,214) hours per month for at least three-fourths (3/4) of the time period that the revenue limitation is measured;

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

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

(m) "Service contract" means a contract let to a contractor by the City primarily for the furnishing of services to or for the City (as opposed to the purchase of goods or other property or the leasing or renting of property) and that involves an expenditure in excess

of twenty-five thousand dollars (\$25,000) and a contract term of at least three (3) months; but only where any of the following applies: (1) at least some of the services rendered are rendered by employees whose work site is on property owned by the City, (2) the services could feasibly be performed by City employees if the awarding authority had the requisite financial and staffing resources, or (3) the DAA has determined in writing that coverage would further the proprietary interests of the City.

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

*Technical correction due to re-lettering of subsections: "Subsection (f)" corrected to "Subsection (i)".

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

SECTION HISTORY

Added by Ord. No. 171,547, Eff. 5-5-97.

Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Subsec. (e), Ord. No. 176,155, Eff. 9-22-04; Subsec. (e), Ord. No. 176,283, Eff. 12-25-04, Oper. 9-22-04; Subsecs. (a) through (l) re-lettered (d) through (o), respectively and new Subsecs. (a), (b), and (c) added, Ord. No. 180,877, Eff. 10-19-09.

Sec. 10.37.2 Payment of Minimum Compensation to Employees.

(a) Wages. Employers shall pay Employees a wage of no less than the hourly rates set under the authority of this article. The initial rates were seven dollars and twenty-five cents (\$7.25) per hour with health benefits, as described in this article, or otherwise eight dollars and fifty cents (\$8.50) per

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hour without health benefits. With the annual adjustment effective July 1, 2009, together with all previous annual adjustments as provided by this subsection, such rates are ten dollars and thirty cents (\$10.30) per hour with health benefits or, if health benefits are not provided, then fourteen dollars and eighty cents (\$14.80) per hour for Airport Employees and eleven dollars and fifty-five cents (\$11.55) per hour for all other Employees. The hourly rate with health benefits to be paid to all Employees and the hourly rate without health benefits to be paid to Airport Employees shall be adjusted annually to correspond with adjustments, if any, to retirement benefits paid to members of the Los Angeles City Employees Retirement System (LACERS), made by the CERS Board of Administration under § 4.1040. The Office of Administrative and Research Services shall so advise the DAA of any such change by June 1 of each year and of the required new hourly rates, if any. On the basis of such report, the DAA shall publish a bulletin announcing the adjusted rates, which shall take effect upon such publication.

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

SECTION HISTORY

*Added by Ord. No. 171,547, Eff. 5-5-97.
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Subsec. (a), Ord. No. 173,285, Eff. 6-26-00, Oper. 7-1-00; Subsec. (a), Ord. No. 180,877, Eff. 10-19-09.*

Sec. 10.37.3 Health Benefits.

(a) Health Benefits. The health benefits required by this article shall consist of the payment of at least four dollars and fifty cents (\$4.50) per hour by Airport Employers and at least one dollar and twenty-five cents (\$1.25) per hour by all other Employers towards the provision of health care benefits for Employees and their dependents. Proof of the provision of such benefits must be submitted to the awarding authority to qualify for the wage rate in Section 10.37(a) for Employees with health benefits.

Airport Employees cannot waive the health benefits offered by an Airport Employer when the Airport Employer does not require an out-of-pocket contribution by the Airport Employee. Consistent with and as shall be reflected in the hourly rates payable to Airport Employees as provided in 10.37.2(a) above, the amount of payment for health benefits by Airport Employers shall be adjusted annually to correspond with adjustments, if any, to retirement benefits paid to members of the Los Angeles City Employees Retirement System (LACERS), made by the CERS Board of Administration under § 4.1040. The Office of Administrative and Research Services shall so advise the DAA of any such change by June 1 of each year and of the required new hourly payments, if any. On the basis of such report, the DAA shall publish a bulletin announcing the adjusted payment, which shall take effect upon such publication.

(b) Periodic Review. At least once every three years, the Office of Administrative and Research Services shall review the health benefit payment by Airport Employers set forth in 10.37.3(a) to determine whether the payment accurately reflects the cost of health care and to assess the impacts of the health benefit payment on Airport Employers and Airport Employees and shall transmit a report with its findings to the Council.

SECTION HISTORY

*Added by Ord. No. 171,547, Eff. 5-5-97.
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; In Entirety, Ord. No. 180,877, Eff. 10-19-09.*

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

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

SECTION HISTORY

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

Sec. 10.37.5 Retaliation Prohibited.

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

SECTION HISTORY

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

Sec. 10.37.6 Enforcement.

(a) An employee claiming violation of this article may bring an action in the Municipal Court or Superior Court of the State of California, as appropriate, against an employer and may be awarded:

(1) For failure to pay wages required by this article - back pay for each day during which the violation continued.

(2) For failure to pay medical benefits - the differential between the wage required by this article without benefits and such wage with benefits, less amounts paid, if any, toward medical benefits.

(3) For retaliation - reinstatement, back pay, or other equitable relief the court may deem appropriate.

(4) For willful violations, the amount of monies to be paid under (1) - (3) shall be trebled.

(b) The court shall award reasonable attorney's fees and costs to an employee who prevails in any such enforcement action and to an employer who so prevails if the employee's suit was frivolous.

(c) Compliance with this article shall be required in all City contracts to which it applies, and such contracts shall provide that violation of this article shall constitute a material breach thereof and entitle

the City to terminate the contract and otherwise pursue legal remedies that may be available. Such contracts shall also include a pledge that there shall be compliance with federal law proscribing retaliation for union organizing.

(d) An employee claiming violation of this article may report such claimed violation to the DAA which shall investigate such complaint. Whether based upon such a complaint or otherwise, where the DAA has determined that an employer has violated this article, the DAA shall issue a written notice to the employer that the violation is to be corrected within ten (10) days. In the event that the employer has not demonstrated to the DAA within such period that it has cured such violation, the DAA may then:

(1) Request the awarding authority to declare a material breach of the service contract, public lease or license, or financial assistance agreement and exercise its contractual remedies thereunder, which are to include, but not be limited to, termination of the service contract, public lease or license, or financial assistance agreement and the return of monies paid by the City for services not yet rendered.

(2) Request the City Council to debar the employer from future City contracts, leases, and licenses for three (3) years or until all penalties and restitution have been fully paid, whichever occurs last. Such debarment shall be to the extent permitted by, and under whatever procedures may be required by, law.

(3) Request the City Attorney to bring a civil action against the employer seeking:

(i) Where applicable, payment of all unpaid wages or health premiums prescribed by this article; and/or

(ii) A fine payable to the City in the amount of up to one hundred dollars (\$100) for each violation for each day the violation remains uncured.

Where the alleged violation concerns non-payment of wages or health premiums, the employer will not be subject to debarment or civil penalties if it pays the monies in dispute into a holding account maintained

by the City for such purpose. Such disputed monies shall be presented to a neutral arbitrator for binding arbitration. The arbitrator shall determine whether such monies shall be disbursed, in whole or in part, to the employer or to the employees in question. Regulations promulgated by the DAA shall establish the framework and procedures of such arbitration process. The cost of arbitration shall be borne by the City, unless the arbitrator determines that the employer's position in the matter is frivolous, in which event the arbitrator shall assess the employer for the full cost of the arbitration. Interest earned by the City on monies held in the holding account shall be added to the principal sum deposited, and the monies shall be disbursed in accordance with the arbitration award. A service charge for the cost of account maintenance and service may be deducted therefrom.

(e) Notwithstanding any provision of this Code or any other ordinance to the contrary, no criminal penalties shall attach for violation of this article.

SECTION HISTORY

*Added by Ord. No. 171,547, Eff. 5-5-97.
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Subsec. (d), Para. (1), Ord. No. 173,747, Eff. 2-24-01.*

Sec. 10.37.7 Administration.

The City Council shall by resolution designate a department or office, which shall promulgate rules for implementation of this article and otherwise coordinate administration of the requirements of this article ("designated administrative agency" - DAA). The DAA shall monitor compliance, including the investigation of claimed violations, and shall promulgate implementing regulations consistent with this article. The DAA shall also issue determinations that persons are City financial assistance recipients, that particular contracts shall be regarded as "service contracts" for purposes of Section 10.37.1(j), and that particular leases and licenses shall be regarded as "public leases" or "public licenses" for purposes of Section 10.37.1(i), when it receives an application for a determination of non-coverage or exemption as provided for in Section 10.37.13. The DAA shall also establish employer reporting requirements on employee compensation and on notification about and usage of the federal Earned Income Credit referred to in Section 10.37.4. The DAA shall report

on compliance to the City Council no less frequently than annually.

During the first, third, and seventh years of this article's operation since May 5, 1997, and every third year thereafter, the Office of Administrative and Research Services and the Chief Legislative Analyst shall conduct or commission an evaluation of this article's operation and effects. The evaluation shall specifically address at least the following matters: (a) how extensively affected employers are complying with the article; (b) how the article is affecting the workforce composition of affected employers; (c) how the article is affecting productivity and service quality of affected employers; (d) how the additional costs of the article have been distributed among workers, their employers, and the City. Within ninety days of the adoption of this article, these offices shall develop detailed plans for evaluation, including a determination of what current and future data will be needed for effective evaluation.

SECTION HISTORY

*Added by Ord. No. 171,547, Eff. 5-5-97.
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Ord. No. 173,285, Eff. 6-26-00, Oper. 7-1-00; Ord. No. 173,747, Eff. 2-24-01.*

Sec. 10.37.8 Exclusion of Service Contracts from Competitive Bidding Requirement.

Service contracts otherwise subject to competitive bid shall be let by competitive bid if they involve the expenditure of at least two-million dollars (\$2,000,000). Charter Section 372 shall not be applicable to service contracts.

SECTION HISTORY

*Added by Ord. No. 171,547, Eff. 5-5-97.
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Ord. No. 173,285, Eff. 6-26-00, Oper. 7-1-00.*

Sec. 10.37.9 Coexistence with Other Available Relief for Specific Deprivations of Protected Rights.

This article shall not be construed to limit an employee's right to bring legal action for violation of other minimum compensation laws.

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SECTION HISTORY

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

Sec. 10.37.10 Expenditures Covered.

This article shall apply to the expenditure -- whether through aid to City financial recipients, service contracts let by the City, or service contracts let by its financial assistance recipients -- of funds entirely within the City's control and to other funds, such as federal or state grant funds, where the application of this article is consonant with the laws authorizing the City to expend such other funds.

SECTION HISTORY

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

Sec. 10.37.11 Timing of Application.

(a) Original 1997 Ordinance. The provisions of this article as enacted by City Ordinance No. 171,547, effective May 5, 1997, shall apply to (1) contracts consummated and financial assistance provided after such date, (2) contract amendments consummated after such date and before the effective date of the 1998 ordinance which themselves met the requirements of former Section 10.37.1(h) (definition of "service contract") or which extended contract duration, and (3) supplemental financial assistance provided after May 5, 1997 and before the effective date of the 1998 ordinance which itself met the requirements of Section 10.37.1(c).

(b) 1998 Amendment. The provisions of this article as amended by the 1998 ordinance shall apply to (1) service contracts, public leases or licenses, and financial assistance agreements consummated after the effective date of such ordinance and (2) amendments, consummated after the effective date of such ordinance, to service contracts, public leases or licenses, and financial assistance agreements that provide additional monies or which extend term.

(c) 2000 amendment. The provisions of this article as amended by the 2000 ordinance shall apply to (1) service contracts, public leases or public licenses and City financial assistance recipient agreements

consummated after the effective date of such ordinance and (2) amendments to service contracts, public leases or licenses and City financial assistance recipient agreements which are consummated after the effective date of such ordinance and which provide additional monies or which extend the term.

(d) 2009 Amendment. The provisions of this article as amended by the 2009 ordinance shall become operative ninety (90) days following the effective date of the 2009 ordinance.

SECTION HISTORY

*Added by Ord. No. 171,547, Eff. 5-5-97.
Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Subsec. (b), Subsec. (c) Added, Ord. No. 173,747, Eff. 2-24-01; Subsec. (d) Added, Ord. No. 180,877, Eff. 10-19-09.*

Sec. 10.37.12 Supersession by Collective Bargaining Agreement.

Parties subject to this article may by collective bargaining agreement provide that such agreement shall supersede the requirements of this article.

SECTION HISTORY

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

Sec. 10.37.13 Liberal Interpretation of Coverage; Rebuttable Presumption of Coverage.

The definitions of "City financial assistance recipient" in Section 10.37.1(c), of "public lease or license" in Section 10.37.1(i), and of "service contract" in Section 10.37.1(j) shall be liberally interpreted so as to further the policy objectives of this article. All recipients of City financial assistance meeting the monetary thresholds of Section 10.37.1(c), all City leases and licenses (including subleases and sublicenses) where the City is the lessor or licensor, and all City contracts providing for services that are more than incidental, shall be presumed to meet the corresponding definition just mentioned, subject, however, to a determination by the DAA of non-coverage or exemption on any basis allowed by this article, including, but not limited to, non-coverage for failure to satisfy such definition. The DAA shall by regulation establish procedures for informing persons engaging in such transactions with

the City of their opportunity to apply for a determination of non-coverage or exemption and procedures for making determinations on such applications.

SECTION HISTORY

*Added by Ord. No. 172,336, Eff. 1-14-99.
Amended by: Ord. No. 173,747, Eff. 2-24-01.*

Sec. 10.37.14 Severability

If any provision of this article is declared legally invalid by any court of competent jurisdiction, the remaining provisions shall remain in full force and effect.

SECTION HISTORY

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

EXHIBIT J

Service Contractor Retention Ordinance

LOS ANGELES ADMINISTRATIVE CODE

Div. 10, Ch. 1, Art. 10

SERVICE CONTRACTOR WORKER RETENTION ORDINANCE

Sec. 10.36 Findings and Statement of Policy.

The City awards many contracts to private firms to provide services to the public and to City government. The City awards many contracts to private firms to provide services to the public and to City government. The City also provides financial assistance and funding to others for the purpose of economic development or job growth. At the conclusion of the terms of a service contract with the City or with those receiving financial assistance from the City, competition results in the awarding of a service contract to what may be a different contractor. These new contracts often involve anticipated changes in different managerial skills, new technology or techniques, new themes or presentations, or lower costs.

The City expends grant funds under programs created by the federal and state governments. Such expenditures serve to promote the goals established for those programs by such governments and similar goals of the City. The City intends that the policies underlying this article serve to guide the expenditure of such funds to the extent allowed by the laws under which such grant programs are established.

Despite desired changes through the process of entering into new contracts, it is the experience of the City that reasons for change do not necessarily include a need to replace workers presently performing services who already have useful knowledge about the workplace where the services are performed.

Incumbent workers have already invaluable knowledge and experience with the work schedules, practices, and clients. The benefits of replacing these workers without such experiences decreases efficiency and results in a disservice to City and City financed or assisted projects.

Retaining existing service workers when a change in contractors occurs reduces the likelihood of labor disputes and disruptions. The reduction of the likelihood of labor disputes and disruptions results in the assured continuity of services to citizens who

receive services provided by the City or by City financed or assisted projects.

It is unacceptable that contracting decisions involving the expenditure of City funds should have any potential effect of creating unemployment and the consequential need for social services. The City, as a principal provider of social support services, has an interest in the stability of employment under contracts with the City or by those receiving financial assistance from the City. The retention of existing workers benefits that interest.

SECTION HISTORY

*Article and Section Added by Ord. No. 170,784, Eff. 1-13-96.
Amended by: Article and Section, Ord. No. 171,004, Eff. 5-18-96.*

Sec. 10.36.1. Definitions.

The following definitions shall apply throughout this article:

(a) "Awarding authority" means that subordinate or component entity or person of the City (such as a department) or of the financial assistance recipient that awards or is otherwise responsible for the administration of a service contract or, if none, then the City or the City financial assistance recipient.

(b) "City" means the City of Los Angeles and all awarding authorities thereof, including those City departments which exercise independent control over their expenditure of funds, but excludes the Community Redevelopment Agency of the City of Los Angeles.

(c) "City financial assistance recipient" means any person that receives from the City in any twelve-month period discrete financial assistance for economic development or job growth expressly articulated and identified by the City totaling at least one hundred thousand dollars (\$100,000); provided, however, that corporations organized under Section § 501(c)(3) of the United States Internal Revenue Code of 1954, 26 U.S.C. § 501(c)(3), with annual operating budgets of less than five million dollars (\$5,000,000) or that regularly employ homeless persons, persons

who are chronically unemployed, or persons receiving public assistance, shall be exempt.

Categories of such assistance include, but are not limited to, bond financing, planning assistance, tax increment financing exclusively by the City, and tax credits, and shall not include assistance provided by the Community Development Bank. City staff assistance shall not be regarded as financial assistance for purposes of this article. A loan shall not be regarded as financial assistance. The forgiveness of a loan shall be regarded as financial assistance. A loan shall be regarded as financial assistance to the extent of any differential between the amount of the loan and the present value of the payments thereunder, discounted over the life of the loan by the applicable federal rate as used in 26 U.S.C. Sections 1274(d), 7872(f). A recipient shall not be deemed to include lessees and sublessees. Service contracts for economic development or job growth shall be deemed such assistance once the \$100,000 threshold is reached.

(d) "Contractor" means any person that enters into a service contract with the City or a City financial assistance recipient.

(e) "Employee" means any person employed as a service employee of a contractor or subcontractor earning less than fifteen dollars (\$15.00) per hour in salary or wage whose primary place of employment is in the City on or under the authority of a service contract and including but not limited to: hotel employees; restaurant, food service or banquet employees; janitorial employees; security guards; parking attendants; nonprofessional health care employees; gardeners; waste management employees; and clerical employees; and does not include a person who is (1) a managerial, supervisory, or confidential employees, or (2) required to possess an occupational license.

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

(g) "Service contract" means a contract let to a contractor by the City or a City financial assistance recipient primarily for the furnishing of services to or for the City or financial assistance recipient (as opposed to the purchase of goods or other property) and that involves an expenditure or receipt in excess

of twenty-five thousand dollars (\$25,000) and a contract term of at least three months.

(h) "Subcontractor" means any person not an employee that enters into a contract with a contractor to assist the contractor in performing a service contract and that employs employees for such purpose.

(i) "Successor service contract" means a service contract where the services to be performed are substantially similar to a service contract that has been recently terminated.

SECTION HISTORY

Added by Ord. No. 170,784, Eff. 1-13-96.

Amended by: Ord. No. 171,004, Eff. 5-18-96; Subsec. (c), Ord. No. 172,843, Eff. 11-4-99.

Sec. 10.36.2. Transition Employment Period.

(a) Where an awarding authority has given notice that a service contract has been terminated, or where a service contractor has given notice of such termination, upon receiving or giving such notice, as the case may be, the terminated contractor shall within ten (10) days thereafter provide to the successor contractor the name, address, date of hire, and employment occupation classification of each employee in employment, of itself or subcontractors, at the time of contract termination. If the terminated contractor has not learned the identity of the successor contractor, if any, by the time that notice was given of contract termination, the terminated contractor shall obtain such information from the awarding authority. If a successor service contract has not been awarded by the end of the ten (10)-day period, the employment information referred to earlier in this subsection shall be provided to the awarding authority at such time. Where a subcontract of a service contract has been terminated prior to the termination of the service contract, the terminated subcontractor shall for purposes of this article be deemed a terminated contractor.

(1) Where a service contract or contracts are being let where the same or similar services were rendered by under multiple service contracts, the City or City financial aid recipient shall pool the employees, ordered by seniority within job classification, under such prior contracts.

(2) Where the use of subcontractors has occurred under the terminated contract or where the use of

subcontractors is to be permitted under the successor contract, or where both circumstances arise, the City or City financial assistance recipient shall pool, when applicable, the employees, ordered by seniority within job classification, under such prior contracts or subcontracts where required by and in accordance with rules authorized by this article.

(b) A successor contractor shall retain, for a ninety (90)-day transition employment period, employees who have been employed by the terminated contractor or its subcontractors, if any, for the preceding twelve (12) months or longer. Where pooling of employees has occurred, the successor contractor shall draw from such pools in accordance with rules established under this article. During such ninety (90)-day period, employees so hired shall be employed under the terms and conditions established by the successor contractor (or subcontractor) or as required by law.

(c) If at anytime the successor contractor determines that fewer employees are required to perform the new service contract than were required by the terminated contractor (and subcontractors, if any), the successor contractor shall retain employees by seniority within job classification.

(d) During such ninety (90)-day period, the successor contractor (or subcontractor, where applicable) shall maintain a preferential hiring list of eligible covered employees not retained by the successor contractor (or subcontractor) from which the successor contractor (or subcontractor) shall hire additional employees.

(e) Except as provided in subsection (c) of this section, during such ninety (90)-day period the successor contractor (or subcontractor, where applicable) shall not discharge without cause an employee retained pursuant to this article. "Cause" for this purpose shall include, but not be limited to, the employee's conduct while in the employ of the terminated contractor or subcontractor that contributed to any decision to terminate the contract or subcontract for fraud or poor performance.

(f) At the end of such ninety (90)-day period, the successor contractor (or subcontractor, where applicable) shall perform a written performance evaluation for each employee retained pursuant to this article. If the employee's performance during such ninety (90)-day period is satisfactory, the

successor contractor (or subcontractor) shall offer the employee continued employment under the terms and conditions established by the successor contractor (or subcontractor) or as required by law. During such ninety (90)-day period, the successor contractor shall maintain a preferential hiring list of eligible covered employees not retained by the successor contractor from which the successor contractor shall hire additional employees.

(g) If the City or a City financial assistance recipient enters into a service contract for the performance of work that prior to the service contract was performed by the City's or the recipient's own service employees, the City or the recipient, as the case may be, shall be deemed to be a "terminated contractor" within the meaning of this section and the contractor under the service contract shall be deemed to be a "successor contractor" within the meaning of this section and section 10.36.3.

SECTION HISTORY

Added by Ord. No. 170,784, Eff. 1-13-96.

Amended By: Ord. No. 171,004, Eff. 5-18-96; Subsec. (g) Added, Ord. No. 172,349, Eff. 1-29-99.

Sec. 10.36.3. Enforcement.

(a) An employee who has been discharged in violation of this article by a successor contractor or its subcontractor may bring an action in the Municipal Court or Superior Court of the State of California, as appropriate, against the successor contractor and, where applicable, its subcontractor, and may be awarded:

(1) Back pay for each day during which the violation continues, which shall be calculated at a rate of compensation not less than the higher of:

(A) The average regular rate of pay received by the employee during the last 3 years of the employee's employment in the same occupation classification; or

(B) The final regular rate received by the employee.

(2) Costs of benefits the successor contractor would have incurred for the employee under the successor contractor's (or subcontractor's, where applicable) benefit plan.

(b) If the employee is the prevailing party in any such legal action, the court shall award reasonable attorney's fees and costs as part of the costs recoverable.

(c) Compliance with this article shall be required in all City contracts to which it applies, and such contracts shall provide that violation of this article shall entitle the City to terminate the contract and otherwise pursue legal remedies that may be available.

(d) Notwithstanding any provision of this Code or any other ordinance to the contrary, no criminal penalties shall attach for any violation of this article.

SECTION HISTORY

*Added by Ord. No. 170,784, Eff. 1-13-96.
Amended By: Ord. No. 171,004, Eff. 5-18-96.*

Sec. 10.36.4. Exemption for Successor Contractor or Subcontractor's Prior Employees.

An awarding authority shall upon application by a contractor or subcontractor exempt from the requirements of this article a person employed by the contractor or subcontractor continuously for at least twelve (12) months prior to the commencement of the successor service contract or subcontract who is proposed to work on such contract or subcontract as an employee in a capacity similar to such prior employment, where the application demonstrates that (a) the person would otherwise be laid off work and (b) his or her retention would appear to be helpful to the contractor or subcontractor in performing the successor contract or subcontract. Once a person so exempted commences work under a service contract or subcontract, he or she shall be deemed an employee as defined in Section 10.36.1(e) of this Code.

SECTION HISTORY

*Added by Ord. No. 170,784, Eff. 1-13-96.
Amended By: Ord. No. 171,004, Eff. 5-18-96.*

Sec. 10.36.5. Coexistence with Other Available Relief for Specific Deprivations of Protected Rights.

This article shall not be construed to limit an employee's right to bring legal action for wrongful termination.

SECTION HISTORY

*Added by Ord. No. 170,784, Eff. 1-13-96.
Amended By: Ord. No. 171,004, Eff. 5-18-96.*

Sec. 10.36.6. Expenditures Covered by this Article.

This article shall apply to the expenditure, whether through service contracts let by the City or by its financial assistance recipients, of funds entirely within the City's control and to other funds, such as federal or state grant funds, where the application of this article is consonant with the laws authorizing the City to expend such other funds. City financial assistance recipients shall apply this article to the expenditure of non-City funds for service contracts to be performed in the City by complying themselves with § 10.36.2(g) and by contractually requiring their service contractors to comply with this article. Such requirement shall be imposed by the recipient until the City financial assistance has been fully expended.

SECTION HISTORY

*Added by Ord. No. 171,004, Eff. 5-18-96.
Amended by: Ord. No. 172,337, Eff. 1-14-99; Ord. No. 172,843, Eff. 11-4-99*

Sec. 10.36.7. Timing of Application of Ordinances Adding and then Amending this Article.

The provisions of this article as set forth in City Ordinance No. 171,004 shall apply to contracts consummated and financial assistance provided after May 18, 1996 (the effective date of City Ordinance No. 171,004). As for contracts consummated and financial assistance provided after the original version of this article took effect on January 13, 1996 (by City Ordinance No. 170,784) and through May 18, 1996, the City directs its appointing authorities and urges others affected to use their best efforts to work cooperatively so as to allow application City Ordinance No. 171,004 rather than City Ordinance No. 170,784 to service contracts let during such period. No abrogation of contract or other rights created by City Ordinance No. 170,784, absent consent to do so, shall be effected by the retroactive application of City Ordinance No. 171,004.

SECTION HISTORY

*Added by Ord. No. 171,784, Eff. 1-13-96.
Amended by: Ord. No. 171,004, Eff. 5-18-96; Ord. No. 172,337, Eff. 1-14-99.*

Sec. 10.36.8. Promulgation of Implementing Rules.

The City Council shall by resolution designate a department or office, which shall promulgate rules for implementation of this article and otherwise coordinate administration of the requirements of this article.

SECTION HISTORY

Added by Ord. No. 171,004, Eff. 5-18-96.

Sec. 10.36.9. Severability.

If any severable provision or provisions of this article or any application thereof is held invalid, such invalidity shall not affect other provisions or applications of the article that can be given effect notwithstanding such invalidity.

SECTION HISTORY

Added by Ord. No. 171,004, Eff. 5-18-96.

EXHIBIT K

Equal Employment Practices

LOS ANGELES ADMINISTRATIVE CODE

Div. 10, Ch. 1, Art. 1

EQUAL EMPLOYMENT

Sec. 10.8.3. Equal Employment Practices Provisions.

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

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

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

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

C. As part of the City's supplier registration process, and/or at the request of the awarding authority, or the Board of Public Works, Office of Contract Compliance, the contractor shall

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

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

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

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

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disqualified from being awarded a contract with the City of Los Angeles for a period of two years, or until the contractor shall establish and carry out a program in conformance with the provisions hereof.

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

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

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

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

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

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

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

SECTION HISTORY

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

EXHIBIT L

Affirmative Action

LOS ANGELES ADMINISTRATIVE CODE

Div. 10, Ch. 1, Art. 1

AFFIRMATIVE ACTION

Sec. 10.8.4. Affirmative Action Program Provisions.

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

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

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

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

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

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

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

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

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

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

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authority or the Board of Public Works that the said contractor is an irresponsible bidder or proposer pursuant to the provisions of Section 371 of the Los Angeles City Charter. In the event of such determination, such contractor shall be disqualified from being awarded a contract with the City of Los Angeles for a period of two years, or until he or she shall establish and carry out a program in conformance with the provisions hereof.

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

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

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

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

K. The contractor shall submit an Affirmative Action Plan which shall meet the requirements of this chapter at the time it submits its bid or

proposal or at the time it registers to do business with the City. The plan shall be subject to approval by the Office of Contract Compliance prior to award of the contract. The awarding authority may also require contractors and suppliers to take part in a pre-registration, pre-bid, pre-proposal, or pre-award conference in order to develop, improve or implement a qualifying Affirmative Action Plan. Affirmative Action Programs developed pursuant to this section shall be effective for a period of twelve months from the date of approval by the Office of Contract Compliance. In case of prior submission of a plan, the contractor may submit documentation that it has an Affirmative Action Plan approved by the Office of Contract Compliance within the previous twelve months. If the approval is 30 days or less from expiration, the contractor must submit a new Plan to the Office of Contract Compliance and that Plan must be approved before the contract is awarded.

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

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

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

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

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

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

O. Affirmative Action Agreements resulting from the proposed Affirmative Action Plan or the pre-registration, pre-bid, pre-proposal or pre-award conferences shall not be confidential and

may be publicized by the contractor at his or her discretion. Approved Affirmative Action Agreements become the property of the City and may be used at the discretion of the City in its Contract Compliance Affirmative Action Program.

P. This ordinance shall not confer upon the City of Los Angeles or any Agency, Board or Commission thereof any power not otherwise provided by law to determine the legality of any existing collective bargaining agreement and shall have application only to discriminatory employment practices by contractors or suppliers engaged in the performance of City contracts.

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

SECTION HISTORY

Amended by Ord. No. 147,030, Eff. 4-28-75; Paragraphs A., B., C., Ord. No. 164,516, Eff. 4-13-89; Paragraphs B. and C., Ord. No. 168,244, Eff. 10-18-92; Title and Section, Ord. No. 173,186, Eff. 5-22-00; Subsec. F, Ord. No. 173,283, Eff. 6-26-00, Oper. 7-1-00.