THE CITY OF LOS ANGELES,

DEPARTMENT OF AIRPORTS,

Landlord

and

SOUTHWEST AIRLINES CO.

Tenant

LEASE AGREEMENT

Dated as of _____

Land between Terminal 1 and Terminal 2
Los Angeles International Airport

LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") is made as of _____, 2017 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").

RECITALS

WHEREAS, the Landlord and the Tenant are parties to a terminal facilities lease and license agreement (LAA-8757) (as amended, the "T1 Lease") for space in Terminal 1;

WHEREAS, the Tenant wishes to enter into a lease with the Landlord for land located between Terminal 1 and Terminal 2 to construct site improvements and a new terminal building to be called Terminal 1.5 (such construction project, the "Terminal 1.5 Project");

WHEREAS, the Tenant has developed the program definition for the Terminal 1.5 Project, which will provide ticket counters, baggage claim, a security checkpoint, office space, a bus gate that is independent of aircraft parking, a secure connector between Terminal 1 and Terminal 2, and a connection to the common use transportation system that links the Airport to the consolidated rental car center;

WHEREAS, the Landlord adopted a Mitigated Negative Declaration (as such term is defined under the California Environmental Quality Act) on December 1, 2016 for the Terminal 1.5 Project; and

WHEREAS, the parties desire to enter into this Lease to allow for the construction of the Terminal 1.5 Project and lease of space in the Terminal once the Improvements (defined below) are completed, as set forth herein.

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; Improvements

1.1. Term; Early Termination Option.

1.1.1. Term. This Lease shall commence on the first day of the month after execution of this Lease by the Landlord (the "Effective Date") and shall terminate on the earlier of (a) the 10th anniversary of the DBO or (b) December 31, 2031 (the "Term"), unless earlier terminated pursuant to the terms hereinafter set forth. Notwithstanding the foregoing, this Lease shall terminate (i) at the option of the Tenant, if within 15 Business

Days (the "Credit Facility Deadline") following the Landlord's delivery of its signature to the Lease to the Tenant, the Tenant is unable to secure a Credit Facility (as hereinafter defined), or (ii) on December 31, 2021 if the construction of the Facility Improvements is not completed such that the DBO for the Facility Improvements is on or before December 31, 2021; *provided, however*, that the CEO in his or her sole discretion may extend the Credit Facility Deadline by an additional 15 Business Days.

1.1.2. Early Termination Options.

(a) Landlord's Option.

(1) Prior to Option Deadline. The Landlord shall have the option to terminate this Lease, subject to Board approval, by providing the Tenant a written notice prior to the Site Improvements Completion Date (the "Option Deadline") that it will purchase the Non-Proprietary Facility Improvements, and the Lease shall terminate upon the Landlord's payment of the Non-Proprietary Facility Improvements Acquisition Cost (as further described in Section 1.4.2(b) below), *provided, however*, that the Option Deadline may be extended by mutual agreement of the CEO and the Tenant.

(2) After Option Deadline. Notwithstanding Section 1.1.2(a)(1), the Landlord shall always have the option to terminate this Lease by providing the Tenant a written notice that it will purchase the Non-Proprietary Facility Improvements.

(A) If the Landlord exercises its option to terminate this Lease after the Option Deadline but prior to the DBO, the CEO, subject to Board approval, shall provide written notice of its intent to purchase the Non-Proprietary Facility Improvements (as further described in Section 1.4.2(b) below) and the Lease shall terminate upon the Landlord's payment of the Non-Proprietary Facility Improvements Acquisition Cost pursuant to Section 1.4.2(b)(3) below.

(B) If the Landlord exercises its option to terminate this Lease after the DBO, the CEO, subject to Board approval, shall provide written notice (the "Landlord Option Notice") of its intent to purchase the Non-Proprietary Facility Improvements (as further described in Section 1.4.2(b) below) and the Lease shall terminate upon the Landlord's payment of the amounts owed under Section 1.4.2(b)(4) below.

(3) Landlord Sublease. If the Landlord exercises its option under Sections 1.1.2(a)(1) or 1.1.2(a)(2)(A), the Landlord shall sublease the Demised Premises (the "Interim Sublease Space") from the Tenant

beginning on the DBO (the "Interim Sublease"). The Interim Sublease shall be subject to the following terms:

(A) The Landlord shall pay to the Tenant the Interim Sublease rental amount of one dollar ($1) per month.

(B) The Landlord shall be obligated to perform all maintenance obligations post DBO pursuant to this Section 1.1.2(a)(3), as described in Section 9 below.

(C) The Tenant agrees that the CEO shall designate areas within the Interim Sublease Space as Common Use Areas, Public Area and exclusive use areas, similar to how other terminal space is designated at the Airport, and sub-sublease areas of the Interim Sublease Space accordingly.

(D) The Tenant acknowledges that the Landlord may sub-sublease the Interim Sublease Space to third parties upon reasonable notice to the Tenant, but the Landlord shall not be required to obtain consent from the Tenant prior to sub-subleasing space to third parties. Further, the Tenant and the Landlord agree that the parties shall enter into a separate sub-sublease agreement, subject to Board approval, during the term of the Interim Sublease for a portion of the Interim Sublease Space that the Tenant wishes to sub-sublease back from the Landlord. The Tenant agrees to pay the rates and charges pursuant to the terms of the Tariff for such space, as may be modified by any rate agreement in effect at such time.

(E) Notwithstanding Section 22.12 below, during the term of the Interim Sublease the Landlord shall be responsible for any repairs or alterations necessary to correct violations of construction-related accessibility standards within the Interim Sublease Space identified in any CASp (as defined below) inspection report to the extent that (i) such violations did not occur prior to the DBO, (ii) were not directly a result of the Tenant's construction of the Improvements, and/or (iii) such violations are not in the areas that are sub-subleased to the Tenant pursuant to a separate sub-sublease agreement.

(F) Notwithstanding Section 21.7 below, during the term of the Interim Sublease, the Landlord's activities at or about the Interim Sublease Space not sub-subleased by the Tenant (the "non-Southwest Space") and the Application of all Hazardous Materials on non-Southwest Space by the Landlord, its employees, agents, contractors, or subcontractors, shall comply at all times

with all Environmental Requirements. Further, during the term of the Interim Sublease, except for conditions existing before the DBO, in the case of any spill, leak, discharge, release or improper storage of any Hazardous Materials on the non-Southwest Space or contamination of the non-Southwest Space with Hazardous Materials by the Landlord, its employees, agents, contractors, or subcontractors, (or by the Landlord or its employees, agents, contractors, or subcontractors onto any other property at the Airport), the Landlord will make or cause to be made any necessary repairs or corrective actions as well as to clean up and remove any spill, leakage, discharge, release or contamination, all in accordance with applicable Environmental Requirements. The Landlord shall be responsible and liable for the compliance with all of the provisions of this Section 1.1.2(a)(3)(F) by the Landlord's officers, employees, contractors, assignees, sublessees, agents and invitees. The Landlord will, at its expense, promptly take all actions required by any governmental agency in connection with the Landlord's Application of Hazardous Materials at or about the non-Southwest Space, 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 use, operation and sublease and other tenants' quiet enjoyment of their premises.

(G) The Landlord shall not be required to obtain consent from the Tenant for any alterations made by the Landlord or its sub-sublessees to the Interim Sublease Space during the term of the Interim Sublease.

(H) This Interim Sublease shall terminate on the earlier of (a) the termination date of this Lease or (b) nine (9) months from the DBO ("Sublease Term Cap"); *provided, however*, that the CEO and the Tenant may extend the Sublease Term Cap by mutual agreement.

(b) Tenant's Option.

(1) The Tenant shall have the option to terminate this Lease if (i) the Tenant has substantially completed construction of the Site Improvements, and (ii) the Landlord has not given written notice to the Tenant within 180 days of the Rent Commencement Date that it will

purchase the Non-Proprietary Facility Improvements. The Tenant may exercise this option by providing the Landlord a 90 day advance written notice ("Tenant Termination Notice") which notice may not be issued until 180 days after the Rent Commencement Date. Termination of this Lease pursuant to this Section 1.1.2(b)(1) shall be effective on the later of (A) payment of the Site Improvements Acquisition Cost to the Tenant pursuant to Section 1.4.2(a) below or (B) payment of the Qualified Investments to the Tenant pursuant to Section 1.1.2(b)(2) below.

(2) Purchase of Qualified Investments.

(A) If the Tenant exercises its right to terminate the Lease pursuant to Section 1.1.2(b)(1) above, the Landlord shall purchase all Qualified Investments and pay to the Tenant all amounts verified pursuant to Section 1.1.2(b)(2)(B) below. The aggregate amount payable under this section shall not exceed Ninety-Three Million Dollars ($93,000,000). The Landlord shall pay the Tenant, within sixty (60) days of the Qualified Investments Completion Date (the "Qualified Investments Payment Date"), the verified amounts of the Qualified Investments.

(B) To be deemed Qualified Investments, amounts spent by the Tenant must be verified by the Landlord. The Tenant must provide to the Landlord a schedule of all expenditures (the "Expenditure Schedule") within 120 days of the Tenant Termination Notice, which shall show line item detailed information as to each cost, including but not limited to, description, payee and date of payment, along with a certification by an officer of the Tenant in a written declaration. The Tenant shall be responsible for providing reasonable documentation to the Landlord with the Expenditure Schedule indicating that the amounts were expended (including, but not limited to, copies of returned checks and lien waivers, if requested), and that they are true and correct. The Landlord, at its option, may conduct an audit of such expenditures, or may engage, at the Tenant's expense, a CPA firm to conduct such audit.

(3) The Tenant agrees that all materials provided to the Landlord as Qualified Investments pursuant to Section 1.1.2(b)(2) shall belong to and be the sole property of the Landlord upon payment for same. The Tenant warrants that the deliverables provided to the Landlord under this section will not infringe any intellectual property rights of any third party.

(4) Disputes. Notwithstanding the foregoing, the Landlord shall have the right to dispute the amount of the Qualified Investments. To the extent that the Landlord disputes a portion of the Qualified Investments, or there is insufficient documentation with respect thereto, the Landlord shall so notify the Tenant and submit to the Tenant an explanation of the disputed amount or the required documentation prior to the Qualified Investments Payment 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 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.

(5) Upon the Tenant's issuance of the Tenant Termination Notice, the Tenant shall cease all work on the Non-Proprietary Facility Improvements and shall make all reasonable efforts to limit their out-of-pocket costs associated with any Qualified Investments.

(6) Upon the payment for the Non-Proprietary Facility Improvements that are Qualified Investments, title to the Qualified Investments shall vest in the Landlord.

1.2. Right of Entry and Demise.

1.2.1. Right of Entry.

(a) Demised Premises. In connection with the Terminal 1.5 Project, the Landlord grants to the Tenant, from the Effective Date to the Rent Commencement Date, a temporary non-exclusive right of entry to the Demised Premises as identified in Exhibit A. The right of entry shall be for the following purpose and no other: to assess the Demised Premises for design and engineering purposes for the Site Improvements, to facilitate preparation of construction plans for the Landlord's approval pursuant to Section 4 for the Site Improvements, and upon receipt of such approval, to construct the approved improvements. This Section 1.2.1(a) shall not be deemed to grant the Tenant an easement, lease or any other property interest in the Demised Premises. The Tenant agrees to not unreasonably affect operations at the Airport during such period.

(b) Terminal 2.

(1) In connection with the Terminal 1.5 Project, the Landlord grants to the Tenant, from the Effective Date to the DBO, a temporary non-exclusive right of entry to the areas of Terminal 2 as identified in Exhibit B. The right of entry shall be for the following purpose and no other: to assess Terminal 2 for design and engineering purposes for the Terminal 1.5 Project, to facilitate preparation of construction plans for the

Landlord's approval pursuant to Section 4 for the Terminal 1.5 Project, and upon receipt of such approval, to construct the approved improvements. This Section 1.2.1(b)(1) shall not be deemed to grant the Tenant an easement, lease or any other property interest in Terminal 2. The Tenant agrees to not unreasonably affect operations at Terminal 2 and the Airport during such period.

(2) As the Tenant may need access to the demised premises of Delta Air Lines, Inc. ("Delta") in Terminal 2 for the Terminal 1.5 Project, the Tenant shall be responsible for preparing an access plan acceptable to Delta. The Landlord shall facilitate resolution of any issues related to such access plan.

1.2.2. Demise.

(a) Upon and subject to the conditions and limitations set forth in this Lease, from the Rent Commencement Date to the end of the Term, the Landlord hereby leases to the Tenant, and the Tenant hereby leases from the Landlord, the Demised Premises.

(b) As of the Effective Date, the Demised Premises shall be as described and delineated in Exhibit A.

(c) Following the completion of the Site Improvements, the Demised Premises shall be as described and delineated in Exhibit A-1; *provided, however*, (i) minor modification(s) of the Demised Premises, not to exceed a cumulative rental adjustment of $150,000, may be made by the CEO by an amendment to Exhibit A-1, 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-1, may be made by the Board by an amendment to Exhibit A-1, 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 Improvements (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-1, such modification shall be subject to approval by the Board and City Council.

1.3. [Intentionally Omitted]

1.4. Site Improvements and Facility Improvements.

1.4.1. Generally. The Landlord acknowledges that the Tenant shall make Site Improvements and may make Facility Improvements (collectively, the "Improvements") during the Term, the cost of which Improvements shall be paid by the Landlord as set

forth in Section 1.4.2. The Improvements 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 Improvements pursuant to Section 4, detailed drawings, plans and cost estimates, which shall include all estimated soft and hard costs, of each of the Improvements. A summary list, including the Tenant's cost estimates, of the Improvements as of the Effective Date is attached hereto as Schedule 1. All Improvements shall be governed by the then effective LAWA Design Construction Handbook as of the date the Landlord provides consent, except where existing systems are being extended provided that such systems were installed under the 2012 LAWA Design Construction Handbook. Any systems to be constructed under such exception must be identified by the Tenant and approved by the Landlord at 30% design. The Landlord and the Tenant agree that the Tenant shall pay for any and all costs associated with the Improvements, subject to purchase by the Landlord as provided in Section 1.4.2 below. The Tenant and the Landlord acknowledge that the Landlord's purchase price for the Site Improvements in Section 1.4.2 and the term of this Lease as described in Section 1.1.1 are based on completing the scope of work as currently defined, and on the schedule as currently developed. If the construction schedule of the Site Improvements and/or the Non-Proprietary Facility Improvements has been impacted due to (i) unforeseen conditions, (ii) Force Majeure, (iii) changes to the design of the Improvements requested by the Landlord or (iv) other impacts to the schedule beyond the Tenant's control, the Landlord and the Tenant shall enter into good faith negotiations to minimize the impact of such events and, if necessary, negotiate adjustments to the DBO deadline for the Facility Improvements under Section 1.1.1 and the Site Improvements Deadline under Section 1.4.2(a)(3) with an amendment to this Lease, which amendment shall be subject to Board and City Council approval. The CEO may also, in his or her sole discretion and without Board or City Council approval, extend such DBO deadline and the Site Improvements Deadline by up to 180 days.

(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 by the Tenant or its contractors for the Improvements.

(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 Improvements shall be based upon competitive bids or proposals as follows:

(1) The Tenant shall use reasonable efforts to secure the

commitment to bid or propose on the Improvements from a minimum of three (3) bidders or proposers.

(2) 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.

(3) 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 Improvements 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. Further, the Tenant agrees to have all standard manufacturer's warranties for the Site Improvements and the Non-Proprietary Facility Improvements, if constructed, be effective from the DBO and such warranties shall also be assigned to the Landlord which assignment shall be effective on the DBO.

(d) Rules and Regulations.

(1) 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 Improvements. 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 CEO which are now in force or which may be hereafter adopted by the Board and/or the CEO 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.

(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 Lease. Contracts awarded by the Tenant as a result of

the Improvements must comply with Federal provisions established by laws and statutes.

(3) 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 Improvements. 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 C, agreeing to be subject to the terms of the PLA.

(g) The Tenant agrees that it will manage the Improvements in such a manner that the Airport operates efficiently during such construction so as to minimize disruptions to operations and to the passengers.

(h) MBE/WBE/SBE Policy. The Tenant has advised the Landlord that it intends to employ a MBE/WBE/SBE policy for the construction of the Improvements at twenty percent (20%), and will report the status of attainment of the policy on a quarterly basis to the Landlord.

(i) Financing of the Improvements.

(1) Some or all of the construction of the Improvements may be financed by a credit facility (the "Credit Facility") which may involve the Regional Airports Improvement Corporation or similar entity (the "Borrower") who will appoint the Tenant as the Borrower's agent to manage all aspects of the design and construction of the Improvements. The Credit Facility may be obtained through various sources including, but not limited to, (A) a group of lenders or lending institutions, or (B) a special purpose entity ("Construction Lender").

(2) The Landlord and the Tenant agree to the following with respect to any financing agreement with any Construction Lender for the construction of the Improvements:

(A) The Construction Lender shall be subject to the written approval of the CEO, which approval shall not be unreasonably withheld, delayed or conditioned.

(B) The Tenant shall have the right to assign to the Construction Lender, which assignment shall not constitute an assignment of the Lease for purposes of Section 16.1, the Tenant's rights to receive the payments from the Landlord for the purchase of the Site Improvements and the Facility Improvements contemplated in Sections 1.4.2(a) and (b) (the "Landlord Payments").

(C) The Tenant shall have the right to assign, which assignment shall not constitute an assignment of the Lease for purposes of Section 16.1, the Landlord Payments to the Borrower or directly to a trustee acting for the benefit of the Construction Lender (the "Trustee") and grant a security interest therein to the Construction Lender.

(D) The Tenant may execute any and all instruments in connection with the Credit Facility, and the principal instruments shall be subject to the prior review and written approval of the CEO for the sole purpose of ensuring conformance with this Lease, which approval shall not be unreasonably withheld; *provided, however*, that the Tenant covenants that such principal instruments shall include commercially reasonable covenants and representations including, but not limited to, assignments, vesting of title upon receipt of Landlord Payments, and appropriate indemnification for the Tenant's negligent acts and omissions.

(E) Notwithstanding any other provision of the Lease, the Construction Lender shall not have any right to commence construction of any Improvements.

(F) The Landlord agrees that the Credit Facility financing documents may include the following: the Tenant shall assign the Landlord Payments to the Borrower who shall in turn assign them to the Trustee for the benefit of the Construction Lender. The Tenant, the Borrower and the Trustee shall provide written notice to the Landlord of such assignments (a "Direction") and in such Direction provide the following information: (1) a list of the Improvements that will be financed by the Construction Lender, and (2) direction from the Tenant and the Borrower to the Landlord to make any Landlord Payments for the Improvements that will be financed by the Construction Lender to the Trustee upon the terms and conditions of this Lease. The Landlord will

make payment only in accordance with the terms of the Direction and will not accept further payment instruction in respect of the Landlord Payments from the Tenant unless accompanied by the written direction of the administrative agent (as identified in the Credit Facility documents).

(G) In the event the Landlord Payments are assigned, except as expressly provided in this Section 1.4.1(i), the Landlord shall not be bound, nor shall the terms, conditions and covenants of this Lease nor the rights and remedies of the Landlord hereunder be in any manner limited, restricted, modified or affected, by reason of the terms or provisions of the instruments in connection therewith.

(H) The Landlord agrees that any notice requirements pursuant to the Lease to the Tenant for the termination of the Lease will also be provided to the Construction Lender and the Trustee, if applicable.

(I) The Tenant shall include in its construction contracts for the Improvements that in the event of termination of the Lease, the Landlord shall have the right, in its sole discretion, to have the Tenant's construction contracts for the uncompleted Improvements assigned to the Landlord.

(j) The Tenant agrees to be subject to the provisions in Exhibit D attached hereto with respect to the Site Improvements, and the provisions in Exhibit D are incorporated herein by reference.

1.4.2. Site Improvements and Facility Improvements Acquisition.

(a) Site Improvements.

(1) The Tenant shall be responsible for designing and completing construction of the Site Improvements, subject to Section 4 of this Lease.

(2) Irrespective of the exercise by the Tenant or the Landlord of any early termination option under Section 1.1.2 above, the Tenant shall sell, and the Landlord shall purchase, the Site Improvements located on the Demised Premises. The Landlord shall pay the Tenant, within sixty (60) days of the Site Improvements Completion Date (the "Site Improvements Payment Date"), the amount of the Site Improvements Acquisition Cost. The estimated cost for the Site Improvements is set forth in Schedule 1. Upon the payment of Site Improvements Acquisition Cost, title to the Site Improvements shall vest in the Landlord. The amount of

the Site Improvements Acquisition Cost, including principal and interest, payable by the Landlord to the Tenant, shall not exceed Forty-Six Million Dollars ($46,000,000).

(3) Notwithstanding Section 1.4.2(a)(2), if the Tenant exercises its option to terminate the Lease pursuant to Section 1.1.2(b), the Tenant agrees that the Site Improvements Completion Date shall be no later than December 31, 2018. The Tenant further agrees that the Tenant shall incur liquidated damages amount of $50,000 ("Daily LD Amount") for each day that the Site Improvements Completion Date goes beyond December 31, 2018[1] (the "Site Improvements Deadline") to compensate the Landlord for all expenses and/or damages and loss resulting from the delay in the completion of the Site Improvements; *provided, however*, that if the construction schedule of the Site Improvements has been impacted due to (i) unforeseen conditions, (ii) Force Majeure, (iii) changes to the design of the Site Improvements requested by the Landlord or (iv) other impacts to the schedule beyond the Tenant's control, the CEO, in his or her sole discretion, shall extend the Site Improvements Deadline by the number of days that such occurrence caused a delay; *provided, however*, that the CEO may not extend the Site Improvements Deadline beyond 180 days without Board or City Council approval. Any Daily LD Amount incurred by the Tenant shall be payable to the Landlord by the Site Improvements Completion Date. This section shall survive termination of this Lease.

(b) Facility Improvements.

(1) Classification of Facility Improvements. Prior to the Tenant's request for consent for the Facility Improvements and/or any request to make additions and/or alterations to the scope of work to construct the Facility Improvements pursuant to the requirements of Section 4, the Landlord and the Tenant will mutually agree on which Facility Improvements are (i) Southwest Improvements and (ii) Non-Proprietary Facility Improvements. The Landlord and the Tenant shall amend Schedule 1 to reflect such agreement. The CEO shall have the authority to execute such amendment, subject to approval as to form by the City Attorney, without further approval by 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.

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[1] For example, if the Site Improvements Completion Date is January 31, 2019, and the Site Improvements Acquisition Cost is $430,000,000, the Site Improvements Acquisition Cost payable for the purchase of the Site Improvements shall be $430,000,000 - $1,550,000 = $428,450,000.

(2) If the Tenant elects to construct the Facility Improvements, the Tenant agrees to design and construct, as part of the Facility Improvements, the vertical transportation core (the "Core") for the automated people mover ("APM") if the Landlord proceeds with the construction of the APM. The Tenant acknowledges that in such event, the Core must be fully operational so that the Landlord can install a pedestrian bridge from the APM to the Terminal no later than December 31, 2021 ("Core Deadline"). The Tenant further agrees that the Tenant shall incur liquidated damages amount of $50,000 ("Daily Core LD Amount") for each day the completion of the construction of the Core goes beyond the Core Deadline to compensate the Landlord for all expenses and/or damages and loss resulting from the delay in the completion of the Core; *provided, however*, that if the construction schedule of the Core has been impacted due to (i) unforeseen conditions, (ii) Force Majeure, (iii) changes to the design of the Core requested by the Landlord or (iv) other impacts to the schedule beyond the Tenant's control, the CEO, in his or her sole discretion, shall extend the Core Deadline by the number of days that such occurrence caused a delay; *provided, however*, that the CEO may not extend the Core Deadline beyond 180 days without Board or City Council approval. Any Daily Core LD Amount incurred by the Tenant shall be payable to the Landlord by the Non-Proprietary Facility Improvements Completion Date. This section shall survive termination of this Lease.

(3) If the Landlord exercises its option to terminate this Lease pursuant to Section 1.1.2(a)(1) or 1.1.2(a)(2)(A), the Tenant shall sell, and the Landlord shall purchase, the Non-Proprietary Facility Improvements located on the Demised Premises. The Landlord shall pay the Tenant, within sixty (60) days of Non-Proprietary Facility Improvements Completion Date (the "Non-Proprietary Facility Improvements Payment Date"), the amount of the Non-Proprietary Facility Improvements Acquisition Cost. The estimated cost for the Non-Proprietary Facility Improvements is set forth in Schedule 1. Upon the payment of Non-Proprietary Facility Improvements Acquisition Cost, title to the Non-Proprietary Facility Improvements shall vest in the Landlord. The amount of the Non-Proprietary Facility Improvements Acquisition Cost, including principal and interest, payable by the Landlord to the Tenant, shall not exceed Four Hundred Thirty-Two Million Six Hundred Thousand Dollars ($432,600,000)("Non-Proprietary Facility Improvements Cap").

(4) If the Landlord exercises its option to terminate this Lease pursuant to Section 1.1.2(a)(2)(B), the Tenant shall sell, and the Landlord shall purchase, the Non-Proprietary Facility Improvements located on the Demised Premises. The Landlord shall pay, within sixty (60) days of receiving from the Tenant the Non-Proprietary Facility Improvements

Backup Documentation (if the purchase price is based on (i) below) or the NPFI Lender (as hereinafter defined) financing documents (if the purchase price is based on (ii) below), either to (i) the Tenant the undepreciated cost (for purposes of this subsection (4) the undepreciated cost of the Non-Proprietary Facility Improvements shall be calculated on the straight line method from the DBO to the date of the expiration of the Term) as of the Landlord Option Notice Date of the Non-Proprietary Facility Improvements Acquisition Cost, or (ii) the NPFI Lender (as defined below) an amount equal to the actual payment due to the NPFI Lender under the financing documents between the Tenant and the NPFI Lender; *provided, however*, any Sublease Rent (defined below) paid by the Landlord to the Tenant shall be deducted from any amounts due to the Tenant under this subsection (4) if the purchase price is based on subsection (ii). Upon the payment for the Non-Proprietary Facility Improvements pursuant to this subsection (4), title to the Non-Proprietary Facility Improvements shall vest in the Landlord.

(5) T1 Lease Amendment. The parties acknowledge that contemporaneously with the execution of this Lease, the parties are entering into an amendment to the T1 Lease whereby upon the exercise of the Landlord's termination options under Sections 1.1.2(a)(1), 1.1.2(a)(2)(A) or 1.1.2(a)(2)(B), certain areas of the Demised Premises shall be included as part of the facilities leased by the Tenant under the T1 Lease.

(c) Disputes. Notwithstanding the foregoing, the Landlord shall have the right to dispute the amount of the Site Improvements Acquisition Cost and the Non-Proprietary Facility Improvements Acquisition Cost. To the extent that the Landlord disputes a portion of the Site Improvements Acquisition Cost and/or the Non-Proprietary Facility Improvements Acquisition Cost, or there is insufficient documentation with respect thereto, the Landlord shall so notify the Tenant within sixty (60) days of the applicable 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 Site Improvements Payment Date or the Non-Proprietary Facility Improvements Payment Date, as applicable. 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.

1.4.3. Tenant Declines Tenant Option.

(a) Financing of Non-Proprietary Facility Improvements. If the Landlord does not exercise its right to terminate this Lease pursuant to Section 1.1.2(a) above and the Tenant does not exercise its option to terminate this Lease

pursuant to Section 1.1.2(b) above, the Tenant may proceed with the construction of the Non-Proprietary Facility Improvements and may secure financing therefor through a third party lender (the "NPFI Lender") subject to approval by the CEO as described below. The NPFI Lender will be selected by the Tenant based on commercially reasonable terms and shall be subject to the prior written approval of the CEO. Any terms and conditions with respect to the financing agreement with the NPFI Lender must be mutually agreed upon by the Tenant and the Landlord prior to the execution of any financing documents by the Tenant with the NPFI Lender. Further, such financing documents shall also include (1) terms substantially similar to those set forth under Section 1.4.1(i), and (2) that the NPFI Lender shall not have any consent rights with respect to the sub-subleasing by the Landlord of the Demised Premises to third parties.

(b) Sublease Obligation. If the Landlord does not exercise its right to terminate this Lease pursuant to Section 1.1.2(a) above and the Tenant does not exercise its option to terminate this Lease pursuant to Section 1.1.2(b), the Tenant shall sublease the Demised Premises (the "T1.5 Sublease Space") to the Landlord from the DBO to the end of the Term (the "T1.5 Sublease"). The parties agree that the T1.5 Sublease shall include the following terms:

(1) The Landlord shall pay to the Tenant a "Sublease Rent" for the use of the T1.5 Sublease Space. The Sublease Rent shall either be (i) the Non-Proprietary Facility Improvements Acquisition Cost amortized on a straight line basis over the Term as of the DBO at the 10-year U.S. Treasury Rate on the DBO plus 200 basis points plus any insurance costs or (ii) if an NPFI Lender is agreed to pursuant to Section 1.4.3(a), the monthly principal, fees and interest payments made by the Tenant to the NPFI Lender plus any insurance costs.

(2) The Landlord shall be obligated to perform all maintenance obligations post DBO, pursuant to this Section 1.4.3(b), as are described in Section 9 below.

(3) The Tenant agrees that the CEO shall designate areas within the T1.5 Sublease Space as Common Use Areas, Public Area and exclusive use areas, similar to how other terminal space is designated at the Airport, and sub-sublease areas of the T1.5 Sublease Space accordingly.

(4) The Tenant acknowledges that the Landlord may sub-sublease the T1.5 Sublease Space to third parties upon reasonable notice to the Tenant but the Landlord shall not be required to obtain consent from the Tenant prior to sub-subleasing space to third parties. Further, the Tenant and the Landlord agree that the parties shall enter into a separate sub-sublease agreement during the term of the T1.5 Sublease for a portion

of the T1.5 Sublease Space that the Tenant wishes to sub-sublease back from the Landlord. The Tenant agrees to pay the rates and charges pursuant to the terms of the Tariff for such space, as may be modified by any rate agreement in effect at such time.

(5) Notwithstanding Section 22.12 below, during the term of the T1.5 Sublease, the Landlord shall be responsible for any repairs or alterations necessary to correct violations of construction-related accessibility standards within the T1.5 Sublease Space identified in any CASp (as defined below) inspection report to the extent that (i) such violations did not occur prior to the DBO, (ii) were not a result of the Tenant's construction of the Improvements, and/or (iii) such violations are not in the areas sub-subleased by the Tenant.

(6) Notwithstanding Section 21.7 below, during the term of the T1.5 Sublease, the Landlord's activities at or about the T1.5 Sublease Space not sub-subleased by the Tenant (the "non-T1.5 Southwest Space") and the Application of all Hazardous Materials on non-T1.5 Southwest Space by the Landlord, its employees, agents, contractors, or subcontractors, shall comply at all times with all Environmental Requirements. Further, during the term of the T1.5 Sublease, except for conditions existing before the DBO, in the case of any spill, leak, discharge, release or improper storage of any Hazardous Materials on the non-T1.5 Southwest Space or contamination of the non-T1.5 Southwest Space with Hazardous Materials by the Landlord, its employees, agents, contractors, or subcontractors, (or by the Landlord or its employees, agents, contractors, or subcontractors onto any other property at the Airport), the Landlord will make or cause to be made any necessary repairs or corrective actions as well as to clean up and remove any spill, leakage, discharge, release or contamination, all in accordance with applicable Environmental Requirements. The Landlord shall be responsible and liable for the compliance with all of the provisions of this Section 1.4.3(b)(6) by the Landlord's officers, employees, contractors, assignees, sublessees, agents and invitees. The Landlord will, at its expense, promptly take all actions required by any governmental agency in connection with the Landlord's Application of Hazardous Materials at or about the non-T1.5 Southwest Space, 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 use, operation and sublease and other tenants' quiet enjoyment of their premises.

(7) The Landlord shall not be required to obtain consent from the Tenant for any alterations made by the Landlord or its sub-sublessees to the T1.5 Sublease Space; *provided, however*, that the Landlord shall provide written notice to the Tenant for any Material Alteration. A "Material Alteration" shall be an Alteration (as defined below) which costs more than Ten Million Dollars ($10,000,000).

(8) The T1.5 Sublease shall terminate on the termination date of 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 Demised Premises 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 Demised Premises 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 Demised Premises 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 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.

3.1. Commencing on the Rent Commencement Date to the end of the Term, the Tenant shall pay the Landlord a "Land Rent" for the use of the Demised Premises. The Land Rent shall be calculated in an amount equal to the Land Rental Rate multiplied by the square footage of the Demised Premises. The initial Land Rental Rate shall be based on the then current Board-adopted Land Rental Rate, as adjusted pursuant to the terms of this Lease. The Land Rental Rate in effect as of the Effective Date is the amount reflected on Exhibit E as the "Land Rental Rate." The Tenant acknowledges that the CEO is authorized to replace Exhibit E to reflect rental adjustments, fees and/or other charges established periodically by the Board that shall be generally applicable to similarly situated lessees at Airport and that the Tenant accepts responsibility for payments based on such modifications effective as of the date specified by the Board pursuant to Section 3.2 below. The Tenant shall be responsible for payment of any and all amounts due to the Landlord by sublessees of this Lease, if any, unless the CEO specifically waives such responsibility.

3.2. Rental Adjustments. Provided that nothing herein shall be construed to grant the Tenant any rights to extend this Lease, it is agreed that the Land Rental Rate shall be adjusted each year in accordance with the procedures provided hereinafter.

(a) Annual Adjustments. Except when adjusted as provided in Section 3.2(b), the Land Rental Rate of the Land Rent for the Demised Premises covered under this Lease shall be subject to automatic, annual rental adjustments effective July 1 of each year (the "Annual Adjustment Date"). However, the Landlord may change the Annual Adjustment Date through a resolution adopted by the Board provided that there shall be no more than one annual adjustment pursuant to this Section 3.2(b) in any twelve-month period. The Land Rent shall be adjusted on the Annual Adjustment Date according to the percentage increases over the prior year, if any, in the Consumer Price Index, All Urban Consumers for the Los Angeles-Riverside-Orange County, California area, 1982-84=100 ("CPI-U"), as published by the U.S. Department of Labor, Bureau of Labor Statistics ("B.L.S."), or its successor, as follows:

The Land Rental Rate shall be multiplied by the CPI-U for the month of March immediately preceding the Annual Adjustment Date (the "Adjustment Index"), divided by the said CPI-U as it stood on March of the prior year (the "Base Index") and the result shall be the "Adjusted Land Rental Rate" to be applied effective July 1 through June 30, provided that the annual adjustment shall not be less than two percent (2%) per year nor more than seven percent (7%) per year, in accordance with the calculation below. In the event that the Adjusted Land Rental Rate indicates a rate increase in excess of seven percent (7%), the rental rate increase shall be carried over and implemented in the succeeding year, as necessary, at a rate not to exceed seven (7%) per year.

The formula for calculation of Adjusted Land Rental Rate commencing each July 1 during the term of this Lease shall be as follows:

Adjusted Land Rental Rate = Land Rental Rate x (Adjustment Index/Base Index)

If the B.L.S. should discontinue the preparation or publication of the CPI-U, and if no transposition table is available, then City shall adopt a comparable publicly-available local consumer price index for adjusting and revising the Land Rental Rate on July 1 annually.

(b) Periodic Adjustment to Fair Market Rental. Provided nothing herein shall be construed to grant the Tenant any extension rights unless expressly stated in this Lease, it is agreed that: (i) the Land Rental Rate payable hereunder shall be adjusted effective as of a date not later than July 1, 2022, and every five years thereafter to a fair market rental rate payable hereunder (a "Periodic Adjustment"), provided that the Landlord may change the Periodic Adjustment date for the Land Rental Rate through a resolution adopted by the Board, and further provided that the Periodic Adjustment for the Land Rental Rate shall occur every five years.

(1) Parties May Negotiate in Good Faith. At least one (1) year prior to the scheduled Periodic Adjustment date and in accordance with Section 3.2(b) above, the parties may (but are not required to), in good faith, negotiate the Land Rental Rate applicable to the subject adjustment period as referenced above. Such good faith negotiations, initiated by either party, may include the involvement of a third party reviewer to review and make nonbinding recommendations regarding each party's rate adjustment proposal, discussions regarding external and internal factors that may be unique to the land and/or improvements so that the reviewer(s) can take them into consideration when making the recommendations, in substantially the same manner as corroborated by the parties and applicable to the Demised Premises. The parties shall have continuing opportunities to negotiate in good faith in an attempt to reach agreement on rental adjustment(s) notwithstanding each party's obligation to perform its duties as described under Section 3.2(b)(2) below. If the parties are able to reach an agreement on the adjustment to the Land Rental Rate, then said rate shall be presented as a recommendation to the Board. However, if the parties are unable to reach final agreement during said negotiation period, the parties may continue to negotiate in good faith to attempt to reach agreement until arbitration commences pursuant to Section 3.2(b)(6) below.

(2) Appraisal Process. If the parties cannot reach agreement on the Land Rental Rate or the Board does not approve the agreed upon Land Rental Rate as described in Section 3.2(b)(1) at least nine (9) months prior to the scheduled Periodic Adjustment date, then the parties shall determine the Land Rent by the procedures described in Sections 3.2(b)(3) through 3.2(b)(5) below.

(3) Step 1: Independent Appraisals. The Landlord and the Tenant shall each select an appraiser, who is a member of the Appraisal Institute or its successor organization and meets the Minimum Qualifications as defined within this Lease (a "Qualified Appraiser"). Either the Tenant or the Landlord shall, when notified in writing by the other to do so, deliver to the other party the name and address of such appraiser (each selected Qualified Appraiser, a "Main Appraiser"). The CEO shall immediately fix the time and place for a conference between the two parties and the Main Appraisers no later than fifteen (15) days from the date of the exchange of names and addresses of the Main Appraisers. At such meeting, both the Tenant and the Landlord may have discussions with the Main Appraisers as to any externalities that may affect the derivation of rental value conclusions. The Appraisal Instructions to be given to the Main Appraisers are as defined within this Lease. The Landlord and the Tenant shall each pay the fees and expenses of their respective Main Appraisers. The narrative appraisals must be completed according to the Uniform Standards of Professional Appraisal Practice (USPAP) for the year in which the appraisal is completed. No later than one hundred (100) calendar days after the date of the appraiser meeting, a copy of the completed, final USPAP-compliant appraisal report procured by both the Landlord and the Tenant will be made available for review by the other party on

the same day. If either the Landlord or the Tenant fails to deliver its appraisal report by the appraisal report delivery deadline, the late party will inform the other party in writing of the reason for the delay and the expected date on which appraisal reports will be exchanged. If either party's appraisal report cannot be delivered within four (4) months of the appraiser meeting, the complying party shall have its appraisal report presented to the Board for approval. Upon exchange of the two appraisal reports, in the event that the determination of the rental value in the two appraisal reports differs by fifteen percent (15%) or less, the rate that is the average of the determinations in the two appraisal reports shall be presented as a recommendation to the Board. If the rate determinations in the two appraisal reports differ by more than fifteen percent (15%), the parties shall proceed to Section 3.2(b)(5) below.

(4) Step 2: Arbitration Appraiser Selection. The Main Appraisers selected by each party shall be instructed to agree upon and select an Arbitration Appraiser (as defined below) no later than six (6) weeks after the appraiser meeting described above. The Arbitration Appraiser shall be a Qualified Appraiser that is not under contract with the City for appraisal services. If the Arbitration Appraiser selected is not available to perform the task pursuant to the instructions set forth in Section 3.2(b)(6) below or is unwilling to execute a Landlord contract for the performance of appraisal services, then City and the Tenant shall inform the Main Appraisers and require them to repeat the selection process again until an available Arbitration Appraiser is selected. If the Main Appraisers cannot come to agreement on the selection of an Arbitration Appraiser within (6) six weeks from the date of the appraiser meeting, the CEO shall select an Arbitration Appraiser.

(5) Appraisal Review Period. The parties shall have one (1) month to review each other's appraisal reports from the date of the appraisal exchange as described in Section 3.2(b)(3) above. The parties may continue to negotiate the adjusted rental rates during this period. Within fifteen (15) calendar days of the appraisal report exchange in Section 3.2(b)(3) above, the CEO shall fix a time and place for a negotiation meeting between the parties to be held no later than six (6) weeks from the date of the appraisal report exchange. At such meeting, the parties shall attempt to reach a final agreement on the adjusted rental rates. Either party may include its Main Appraiser in the meeting, if desired. If the Tenant and the Landlord reach agreement on the rental rate adjustments, the CEO shall present the results as a recommendation to the Board. If the Tenant and the Landlord are unable to reach agreement on the adjusted rental rate(s) by the date that is fourteen calendar (14) days from the date of the negotiation meeting, then the parties shall proceed to Step 3 below.

(6) Step 3: Appraiser Arbitration. The Landlord and the Tenant shall each pay one-half of the fees and expenses of the Arbitration Appraiser. The Arbitration Appraiser selected by the two Main Appraisers or the CEO, as the case may be, in Step 2, shall receive copies of both the Tenant and the Landlord's

final appraisal reports that were procured in Step 1 and a list of the rental rate adjustments that have not been agreed to by the parties. The Arbitration Appraiser shall be allowed three (3) weeks to review both appraisal reports. After review of the two appraisal reports, the Arbitration Appraiser will determine which of the rental rate(s) from the two appraisal reports are the most reasonable, considering comparable data selection, market information and applicable valuation methodology. The Arbitration Appraiser will communicate its decision in writing to both the Tenant and City three (3) weeks after engagement. The CEO shall present the agreed-upon rental rate(s) and the Arbitration Appraiser's determinations as a recommendation to the Board. The Landlord shall make every effort to present the rate(s) for approval to the Board prior to the Periodic Adjustment date.

(c) Appraisal Criteria. The following appraisal criteria shall apply to Sections 3.2(b)(3) through 3.2(b)(6).

(1) Appraiser Minimum Qualifications. The Main Appraiser must possess, at a minimum, an MAI or SRPA designation and must be licensed in the State of California. The Main Appraiser must perform all of the calculations and technical portions of the appraisal report as well as derive the final value conclusions within the appraisal report. The Main Appraiser must have geographic market knowledge of the Los Angeles County area. Knowledge of the entire Southern California real estate market is preferred. The Main Appraiser must have a minimum seven (7) years of experience of appraising property in Southern California. If the Main Appraiser is valuing property within the perimeter fence of an airport ("on-airport"), he or she must have performed a minimum of five (5) appraisals of on-airport property within the past five (5) years.

(2) Main Appraisers must be in good standing with the California Bureau of Real Estate Appraisers (CBREA) or its successor organization and have no more than one complaint filed against him or her for any reason and no complaints that have resulted in any disciplinary actions. The Main Appraisers must certify in the appraisal report that he or she has never received any disciplinary actions from the CBREA. The Main Appraisers must be able to provide documentation of the sources of comparable rental rate and sales data to the reasonable satisfaction of City and the Tenant.

(3) Appraisal Instructions. The Main Appraiser shall consider the following in completing the appraisal report:

(i) Los Angeles Administrative requirements that are in force upon the Tenant within its Lease at the date of value.

(ii) FAA regulations that may affect value such as the Building Restriction Line, Object Free Area, Runway Protection Zone,

building height limitations as related to the "Transitional Zone" and any other regulations that may affect value.

(iii) City zoning that applies to the property. If the City-approved use does not conform to the current zoning at the date of value, and the current use is also determined to be the highest and best use, then the Main Appraiser will value the property as if it had the zoning that would allow its current use
(variance granted).

(iv) Any public or private easements, such as utilities or rights-of-way, including avigation rights.

(v) The appraisal of land shall be determined as if vacant under its highest and best use at the date of value, taking into consideration the government imposed restrictions listed above (both by law and restrictions as imposed under the Lease). The leasehold estate or "lessee's interest" (as defined within the most recent edition of "The Appraisal of Real Estate" as published by the Appraisal Institute) shall not be considered.

(vi) The Landlord and the Tenant shall have the right to modify any conditions of the appraisal process upon mutual written agreement of the parties.

(d) With respect to additions, improvements, or alterations to leasehold structures authorized by the Landlord and made by the Tenant during the term of this Lease (exclusive of the Facility Improvements), the Tenant shall not be charged rent for the rental value thereof unless and until title to said additions, improvements, or alterations revert to the Landlord pursuant to the terms of this Lease or by operation of law.

(e) Nothing herein shall prejudice the right of the Tenant to contest, in a court of competent jurisdiction, such adjusted rental in the event the Board may have acted arbitrarily or unreasonably. However, pending the outcome of any such litigation, the Tenant shall be obligated first to either pay the new rental and all retroactive amounts directly to the Landlord as they come due, or deposit such increased amounts of such rental and the retroactive amounts into a joint escrow account. Provision shall be made for the payment to the Landlord of the escrowed funds, including accrued interest, (to the extent such funds are owed by the Tenant to the Landlord) upon a final determination of the appropriate rental adjustment, if any.

(f) Notwithstanding Section 17 below and subject to Section 3.2(g) below, if either party alleges that the other party has failed to comply with the procedure specified in Section 3.2(b)(2) above, the party alleging noncompliance must notify the other party in writing within 30 days, describing such noncompliance in detail and providing the other Party a reasonable time for cure (in any case, not less than 10 days), otherwise such

noncompliance shall be deemed waived; provided that failure by the parties to timely comply with the rental readjustment procedures herein shall not be construed to constitute a waiver of the right of the Landlord to a rental readjustment. In the event adjustment of rental is not completed prior to the adjustment date, the Tenant shall continue to pay the rent set for the preceding period, at the intervals and in the manner fixed for such preceding period, and if such rent is thereafter fixed in a different amount, such new rental shall take effect retroactively back to the beginning date of the readjustment period. Subject to the Tenant's right of contest and right to escrow funds, unless the Board otherwise agrees to a payment plan with interest, the Tenant shall promptly pay to the Landlord that sum, if any, which has accrued as a result of such retroactive application. If a rental reduction occurs, the Landlord shall provide a rent credit to the Tenant's account equal to the sum which has accrued as a result of such retroactive application.

(g) If the Landlord has complied with the appraisal procedure and related time frames as set forth above, the Landlord shall be entitled to receive, in addition to all retroactive rents that become due as a result of Board-adjusted rental rate(s), the time value of said rental increase(s) calculated from the effective date of the increase(s) to the time period that the rental increase(s) are assessed to the Tenant at an interest rate representing what the Landlord may have otherwise been entitled to if the funds associated with the increase(s) were available for the Landlord's use; however, in no event shall the interest rate be less than five percent (5%).

(h) Assessments, Fees, and Charges. In addition to the rental obligation, the Tenant hereby agrees to pay such assessments, fees, and charges as shall be set by the Board and that shall be generally applicable to similarly situated lessees at Airport.

3.3. [Intentionally Omitted]

3.4. [Intentionally Omitted]

3.5. [Intentionally Omitted]

3.6. Audit. Within five years following the completion of the Improvements, the Landlord may, at its sole discretion and with 30 days prior written notice to the Tenant, require the Tenant to provide access to all records and other information necessary to perform an audit of fees and charges paid toward any or all of the Improvements and the Qualified Investments. 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 at the Airport, the Landlord will keep all information obtained from the Tenant's books and records confidential, and the Landlord will use good faith efforts to cause the Landlord's agents and employees to keep all information obtained from the Tenant's books and records confidential. The Landlord may, at its option, conduct an audit of such expenditures, or may engage, at the Tenant's expense, a CPA firm to conduct such audit. This section shall survive termination of the Lease.

3.7. 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 Land Rent, shall be deemed additional rent.

3.8. Late Charges. If the Tenant shall fail to pay any installment of the Land 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 Land 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 Land 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 "Rent Late Charge") of the amount of the delinquent installment of the Land 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 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 Land Rent and additional rent, which expenses are difficult to ascertain, and are not intended to be in the nature of a penalty.

3.9. No Counterclaim, Abatement, etc. Except as expressly provided to the contrary in this Lease, the Tenant will pay the Land 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 Land Rent and all additional rent payable by the Tenant hereunder. Except as provided in this Section 3.9, 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 Land 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.

3.10. 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 Land Rent or any item of additional rent shall not be construed as a waiver of the Landlord's right to the adjustment of the Land Rent or to the adjustment of any additional rent. If a determination of the adjusted Land Rent 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 Land 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.

3.11. Manner of Payment. All payments of Land 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 Demised Premises (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. Notwithstanding the foregoing, this section shall not be applicable to any Alterations made by the Landlord or its sub-sublessees (other than the Tenant) under the sublease pursuant the Interim Sublease or the T1.5 Sublease.

4.2 [Intentionally Omitted]

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 at 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 Demised Premises 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 Demised Premises, 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 Demised Premises. 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 Demised Premises, 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. Ownership of all improvements and equipment existing in the Demised Premises on the Effective Date is and shall be in the Landlord, except that ownership of all Site Improvements and Non-Proprietary Facility Improvements shall not vest in the Landlord until payment of the Site Improvement Acquisition Cost (as it concerns the Site Improvements) and payment of the Non-Proprietary Facility Improvements Acquisition Cost (as it concerns the Non-Proprietary Facility Improvements). 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 Demised Premises, 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 that the Tenant owns, in which case the Tenant will promptly remove them at the Tenant's expense. All items of Tenant's Property remaining in the Demised Premises shall, if not removed by the Tenant within thirty (30) Business Days following the end of the Term, be deemed abandoned and shall, at the Landlord's election (i) be disposed of in any manner selected by the Landlord, at the Tenant's expense, or (ii) become the property of the Landlord. The Tenant will promptly repair any damage to the Demised Premises 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 Areas by the Landlord. Under the T1.5 Sublease, the Landlord shall reserve 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; *provided however*, that the Landlord shall provide written notice to the Tenant for any change under this Section 5 that is a Material Alteration.

6. Pipes, Ducts and Conduits. Under the T1.5 Sublease, the Landlord may, without any compensation to the Tenant, erect, use and maintain pipes, ducts and conduits in and through the Demised Premises. The Landlord will repair, in accordance with Section 9, any damage to work performed by the Tenant caused or arising out of the Landlord's actions pursuant to this Section 6.

7. Access to Demised Premises.

7.1. Landlord's Access to Demised Premises. The Landlord, its officers, employees, agents and contractors may, upon written notice to the Tenant, enter the Demised Premises at reasonable times for the purpose of (i) inspecting the Demised Premises 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. Notwithstanding the foregoing, during the term of the Interim Sublease or the T1.5 Sublease, the Landlord shall have unfettered access to the Demised Premises.

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. Notwithstanding the foregoing, during the term of the sublease pursuant to the Interim Sublease or the T1.5 Sublease, the Landlord shall have unfettered access to the Demised Premises.

7.3. Tenant's Access to Demised Premises. 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 Demised Premises, 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. Notwithstanding the foregoing, during the term of the Interim Sublease or the T1.5 Sublease, the Tenant and its agents, employees, contractors, customers and invitees shall only have ground ingress to and egress from the areas of the Demised Premises that it sub-subleases from the Landlord, 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.

Notwithstanding the above, during the term of the Interim Sublease or the T1.5 Sublease, the Landlord shall be responsible for the payment of furnishing utilities to the areas of the Demised Premises not sub-subleased to the Tenant and for the operation of the Landlord's equipment.

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 Airport's heating, ventilation, air conditioning, elevator, plumbing and electrical systems or other systems at the Demised Premises 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. Prior to the DBO. From the Effective Date to the DBO, at the Tenant's expense, 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 Demised Premises as and when needed to preserve them in good working order and good and safe condition. Pre-DBO, all damage or injury to the Terminal 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. Pre-DBO, 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.

9.1.2. Post-DBO. From the DBO to the end of the Term, at the Landlord's expense, the Landlord will maintain the Interim Sublease Space or the T1.5 Sublease Space (each, the "Landlord's Subleased Space"), as applicable, and will make all repairs to the Landlord's Subleased Space and to all the fixtures, equipment and appurtenances therein and in and around the Landlord's Subleased Space as and when needed to preserve them in good working order and good and safe condition. Post-DBO, all

damage or injury to the Landlord's Subleased Space or its fixtures, equipment and appurtenances therein or thereto caused by the Landlord's removal of furniture, fixtures or other property, shall be repaired to its condition existing before the damage or injury promptly by the Landlord at its expense. Post-DBO, the Landlord will at all times keep the Landlord's Subleased Space free and clear of wastepaper, discarded plastic, graffiti, and all other trash and debris of any kind. The Landlord 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.

9.1.3. The Tenant may, with the prior written approval of the CEO, 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.

9.2 [Intentionally Omitted]

10. Indemnity; Insurance.

10.1. Indemnity. The Tenant will indemnify the Landlord against and hold the Landlord harmless from all expenses (including litigation and court costs, 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, (iii) arising out of, resulting from, or in any way connected to or otherwise based upon or in any way relating to the financing of the Site Improvements or the Facility Improvements as set forth in Sections 1.4.1(j) and 1.4.3(a), or any document related to the financing of the Site Improvements or the Facility Improvements, and (iv) 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 Demised Premises. 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 Demised Premises 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 ("ADA"), 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. Restoration. Tenant to Restore. If the Demised Premises shall be damaged or destroyed by fire or other casualty (and if this Lease shall not have been terminated due to damage or destruction 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 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 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. 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 of Facility Improvements.

(a) During the Term, if substantially all of the Facility Improvements shall be damaged by fire or other casualty, and the repair or restoration of the damage would, in the Tenant's reasonable judgment, require more than six months to complete, this Lease shall terminate within 30 days following the occurrence of the circumstance giving rise to the damage, which occurrence date (the "Occurrence Date") shall be determined by the Landlord in his or her sole discretion. The Tenant shall provide the Landlord written notice of its reasonable judgment on how long the repair or restoration of the damage will take ("Tenant's Damage Notice"). In the event of termination pursuant to this subsection (a), any sublease between the Landlord and the Tenant shall terminate simultaneously with this Lease.

(b) If the Tenant's Damage Notice indicates that the repair or restoration will take six months or less, then the Landlord shall have the option to terminate this Lease if the damage is not repaired or restored by the Tenant by the end of the sixth month anniversary of the Occurrence Date (the "Sixth Month Anniversary"). The Landlord shall provide written notice to the Tenant within 30 days of the Sixth Month Anniversary if it wishes to terminate this Lease pursuant to this subsection (b). During the period that the Tenant is restoring or repairing the damage, the Landlord's obligation to pay sublease rent shall cease until such time that the repair or restoration of the damage is completed and the Demised Premises can be occupied by the Landlord and its subtenants.

14.2.2. Effect of Termination. In the event of the termination of this Lease under the provisions of Section 14.2.1, this Lease shall expire (subject to the provisions of Section 25.17) on the date fixed in the notice of termination as if such date were the date originally fixed for the expiration of the Term, and the Tenant will vacate the Demised Premises and surrender them to the Landlord on the date fixed for termination. The Land Rent and additional rent shall be apportioned and paid by the Tenant up to and including the date of termination.

14.3. Tenant to Give Notice. Each party shall give notice in case of material damage or destruction to the Demised Premises promptly after such party 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 Demised Premises 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 Demised Premises (a "Total Taking"), this Lease shall terminate as of the Taking Date and any sublease between the Landlord and the Tenant pursuant this Lease shall also terminate simultaneously with this Lease.

15.2. Partial Taking. If there shall occur a Taking (other than for temporary use) of any part of the Demised Premises, 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 Demised Premises such that, in the Tenant's reasonable judgment (taking into account any alternatives proposed by the Landlord), the remaining portion of the Demised Premises shall not be adequate for the proper conduct of 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 Demised Premises subject to the Partial Taking and the Tenant's and the Landlord'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 Demised Premises after the Effective 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 Demised Premises, 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 Demised Premises, 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 Demised Premises, for the taking of the Tenant's Property, for any Alterations made to the Demised Premises after the Effective 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 Demised Premises 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 Land 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 Land Rent and additional rent falling due hereunder and shall be applied by the Landlord to the Land Rent and additional rent as the Land 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 Demised Premises, for the Taking of the Tenant's Property, for any Alterations made to the Demised Premises after the Effective 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 Land 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) substantially all of the Demised Premises, or (ii) any Critical Portion of the Demised Premises 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 Demised Premises 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 Demised Premises and surrender them to the Landlord on the date of termination. In such event, any sublease between the Landlord and the Tenant shall terminate simultaneously with this Lease. The Land Rent and additional rent shall be apportioned and paid by the Tenant up to and including the date of termination. Any sublease rent owed by the Landlord under the Interim Sublease or the T1.5 Sublease shall also be apportioned and paid by the Landlord up to and including the date of termination.

16. Assignment, Subletting.

16.1. Landlord's Consent Required. Subject to the terms in this Lease and in particular Section 1, the Tenant will not assign, mortgage or encumber this Lease without the prior written consent of the Board, and any such assignment, mortgage, or encumbrance made without the consent of the Board shall be void. Further, the Tenant may not sublet, license, nor sublicense the Demised Premises or any part thereof, other than to the Landlord as further described in this Lease. The Landlord may withhold its consent to any assignment, mortgage or encumbrance of this Lease in the exercise of the Landlord's reasonable discretion. The consent by the Landlord to any assignment, mortgage, or encumbrance shall not relieve the Tenant from obtaining the consent of the Landlord to any other or further assignment, mortgage or encumbrance 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. 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 Tenant shall be deemed an assignment of this Lease subject to the provisions of this Section 16.

16.2. [Intentionally Omitted]

16.3. [Intentionally Omitted]

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 Land 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 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

(c) 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

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

(e) 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), *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 shall be extended for such period of time as shall be reasonably necessary for the cure of the failure with diligence; or

(f) if the Tenant shall fail to perform or comply with any material 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)), *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 shall be extended for such period of time as shall be reasonably necessary for the cure of the failure with diligence; or

(g) 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

(h) if a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Tenant, a custodian, receiver, trustee or other officer with similar powers with respect to the Tenant or with respect to any material part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the

dissolution, winding-up or liquidation of the Tenant, or if any petition for any such relief shall be filed against the Tenant and the petition shall not be dismissed within 30 days; or

(i) 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

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

(k) 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

(l) 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

(m) 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; provided, however, the obligation of the Landlord to pay the Landlord Payments to the Tenant hereunder shall survive a termination of the Lease due to an Event of Default unless the Event of Default was triggered under Sections 17.1(a), 17.1(b), 17.1(c), 17.1(d), 17.1(e), 17.1(f), 17.1(g), 17.1(h), 17.1(i), 17.1(l), or 17.1(m). 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 Demised Premises. At the expense of the Tenant, the Landlord may store any property so removed from the Demised Premises. 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 Land 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 (subject, however, to any offsets available to the Tenant for any payments still due by the Landlord to the Tenant as of the termination date of this Lease for (i) the purchase of the Site Improvements and/or the Facility Improvements contemplated in Sections 1.4.2(a) and (b) or (ii) Sublease Rent pursuant to the terms of this Lease), 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 Land 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 Land 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 Land 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 Demised Premises

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 Demised Premises, 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 Commencement Date, the Tenant shall have delivered a security deposit (the "Performance Guaranty") to the Landlord at the following address:

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

The initial amount of the Performance Guaranty shall be the amount reflected on the Basic Information Schedule as the "Performance Guaranty Amount", which is three times the sum of the amount of the initial estimated monthly installments of the Land 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 Land 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 Land 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 Land 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. [Intentionally Omitted]

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 Demised Premises, 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 Demised Premises 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 Demised Premises. 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 Demised Premises 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 Land 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 Demised Premises, 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 Demised Premises 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. 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 Demised Premises.

21.3.2. Major Changes. The Tenant acknowledges that the Landlord may undertake various improvements to the Airport and the Terminal that the Landlord determines may be necessary or desirable 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. If prior to the DBO, 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 "as is, where-is, with all faults", in its 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 Airport or the Demised Premises, or the equipment and systems serving 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 Demised Premises, 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 Demised Premises; *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 Demised Premises 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 Demised Premises 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 (i) for conditions existing before the original occupancy of the Demised Premises by the Tenant, (ii) as provided in Section 1.1.2(a)(3)(F), or (iii) as provided in Section 1.4.3(b)(6), 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 Demised Premises all Hazardous Materials Applied by the Tenant at the Demised Premises. If the Tenant installs or uses underground storage tanks, above-ground storage tanks, pipelines, or other improvements on the Demised Premises 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 Demised Premises, 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 Demised Premises. 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 Demised Premises. 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 Landlord'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 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 Demised Premises, 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 Demised Premises in compliance with all other requirements imposed by or pursuant to 49 CFR, Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Regulations may be amended.

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

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

(e) The Tenant will insert the provisions found in clauses (c) and (d) of this Section 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 Demised Premises.

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 Demised

Premises or any part of the Demised Premises or any operations or activities conducted on the Demised Premises or any part of the Demised Premises. 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 Demised Premises. 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 Demised Premises. 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 Demised Premises 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 Demised Premises without the prior approval and waiver of the Landlord. Any work of art installed at the Demised Premises 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. Alternative Fuel Vehicle Requirement Program. The Tenant shall comply with the provisions of the alternative fuel vehicle requirement program (the "Alternative Fuel Vehicle Requirement Program"). The rules, regulations and requirements of the Alternative Fuel Vehicle Requirement Program are attached as Exhibit M and made a material term of this Lease. The Tenant shall complete and submit to the Landlord the vehicle information required on the reporting form accessible online at https://sbo.lawa.org/altfuel on a semi-annual basis. The reporting form may be amended from time to time by the Landlord.

22.12. Certified Access Specialist. The Demised Premises have not undergone an inspection by a Certified Access Specialist ("CASp"). The following statement is hereby included in this Lease:

> "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or

tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises."

The parties hereby mutually agree that any inspection by a CASp shall be performed at the Tenant's sole cost and expense and at a time reasonably satisfactory to the Landlord. The parties hereby mutually agree that any and all repairs or alterations necessary to correct violations of construction-related accessibility standards within the Demised Premises shall be performed by the Tenant at the Tenant's sole cost and expense unless (i) such repairs or alterations are required as a result of work performed in the Demised Premises by the Landlord or (ii) the repairs are the responsibility of the Landlord pursuant to Section 1.1.2(a)(3)(E) or Section 1.4.3(b)(5). In any of these situations, repairs and alterations necessary to correct violations will be performed by the Landlord at the Landlord's sole cost and expense. The parties acknowledge and agree that, notwithstanding any presumption set forth in California Civil Code Section 1938, and except as set forth in (i) or (ii) above wherein the Landlord is responsible for repairs and alterations, the Tenant shall be solely responsible and liable to make any and all repairs or alterations necessary to correct violations of construction-related accessibility standards in any CASp inspection report. The Tenant hereby agrees that, to the fullest extent permitted by law, the Tenant shall treat any inspection by a CASp and the CASp inspection report as strictly confidential and shall not disclose the content of any such inspection report, except as necessary for the Tenant to complete repairs and corrections of violations of construction-related accessibility standards, unless disclosure is otherwise required by applicable law. The Tenant acknowledges that the Tenant's obligations set forth in this section are in addition to (and not in lieu of) the Tenant's obligations regarding compliance with the ADA and construction related accessibility standards set forth elsewhere in this Lease, and nothing in this section shall be construed to limit or diminish the Tenant's obligations set forth elsewhere in this Lease.

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: CEO

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.

"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 CEO, 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) and (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.

"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.

"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.

"CEO" means the chief executive officer of the Department of Airports of the City of Los Angeles, California, or his or her designee.

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

"City Council" means the Los Angeles City Council.

"Common Use Areas" means the space in any Terminal designated by the CEO 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 CEO 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 CEO 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 CEO 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 CEO 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 Demised Premises 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 Demised Premises insufficient for the proper and ordinary conduct of the Tenant's operations.

"DBO" means the date that the City of Los Angeles issues all of the Certificates of Occupancy for the Terminal to be built as part of the Facility Improvements on the Demised Premises. For purposes of this definition, "Terminal" shall the four level terminal building that includes the baggage claim lobby, ticket lobby, security checkpoint, office level and the bus gate and shall not include the skycap check-in area which the Tenant may occupy under a separate Certificate of Occupancy.

"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", 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. After the DBO, the Demised Premises shall include, for purposes of the Interim Sublease and the T1.5 Sublease, the Facility Improvements located on the Demised Premises.

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

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

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

"Facility Improvements" means a four level terminal building of approximately 180,000 gross square feet and associated ticket counters, baggage claim, security checkpoint, a bus gate, a secure connector between Terminal 1 and Terminal 2, office space, and a connection to the APM that may be built on the Demised Premises as further described in Schedule 1.

"FIS Areas" means the space in the terminals at the Airport designated by the CEO 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) and related to the elements, including, but not limited to, earthquakes, mud slides, drought, extreme rain, tidal waves, hurricanes, tornadoes, lightning strikes, floods, fires, and other extreme weather conditions and acts of God, and other unforeseen conditions beyond the control of the parties such as war, hostilities (whether war be declared or not), invasion, national emergencies, acts of public enemies, acts or threats of terrorism, rebellion, revolution, insurrection, or military or usurped power, riots, civil commotion, strikes, lock outs, interruption of services, and shortages of labor or supply (other than by reason of lack of funds).

"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 Improvements, the lesser of (a) the Tenant's actual cost of capital for the construction, if third party construction financing is used, or (b) if the Tenant uses its own funds, imputed project interest costs calculated as simple interest at a rate equal to the rate of interest on a five year U.S. Treasury bond as of the Effective Date plus 200 basis points from the date of expenditure by the Tenant to the projected date of payment for the Improvements. Any Tenant funds expended prior to obtaining third party construction financing will accrue interest as of December 21, 2016 through the closing of the financing.

"Land Rent" means the rental payable for the use of the Demised Premises in monthly installments as provided in Section 3.

"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.

"Lease" means this Lease 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.

"Non-Proprietary Facility Improvements" means (i) those Facility Improvements that could readily be utilized by other Airlines that may operate at the Terminal, when completed, without substantial additional costs to such Airlines and (ii) those Facility Improvements that are infrastructure related for the Terminal building, such as electrical work, ductwork, plumbing work, fire alarm, and HVAC.

"Non-Proprietary Facility Improvements Acquisition Cost" means the actual expenses incurred by the Tenant for the development, design/engineering, construction and financing of the Non-Proprietary Facility Improvements, including Permissible Costs, Interest Costs (but excluding any early prepayment penalties or premiums) and other eligible expenses related to the Demised Premises incurred by the Tenant for the Non-Proprietary Facility Improvements, as verified by the Landlord and as certified by an officer of the Tenant in a written declaration.

"Non-Proprietary Facility Improvements Backup Documentation" means (i) a written declaration by an officer of the Tenant that certifies the actual expenses incurred by the Tenant for the Non-Proprietary Facility Improvements and (ii) proof of payment, including, but not limited to, copies of invoices of the actual expense incurred by the Tenant for the Non-Proprietary Facility Improvements.

"Non-Proprietary Facility Improvements Completion Date" means 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 Non-Proprietary Facility Improvements, 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 Non-Proprietary Facility Improvements and 2. Proof of payment, including, but not limited to, copies of invoices of the actual expenses incurred by the Tenant for the Non-Proprietary Facility Improvements. The CEO shall separately issue a letter to the Tenant confirming the Non-Proprietary Facility Improvements Completion Date.

"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.

"Permissible Costs" means the actual cost of development, design/engineering, construction and/or financing for the Non-Proprietary Facility Improvements, plus the cost of required bonds, construction insurance, materials, and other similar fees related to the development, design/engineering, or construction costs incurred by the Tenant and other eligible expenses related to the Demised Premises, less any refunds from the cancellation of such contracts. Payments made by the Tenant to independent contractors for engineering and architectural design work shall be included as Qualified Investments. Amounts paid to any entity related to the Tenant shall be Permissible Costs only to the extent that the amounts paid are (i) fair and are otherwise no less favorable to the Tenant than would be obtained in a comparable arm's-length transaction with an unrelated third party or (ii) specifically approved in writing by the CEO, upon the separate written request of the Tenant, made prior to incurring such costs. Only payments made by the Tenant, and the Tenant's contractors and subcontractors (without duplication) may be included as Permissible Costs.

"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.

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

"Qualified Investments" means those amounts expended by the Tenant for the Non-Proprietary Facility Improvements on the Demised Premises, in such amounts as (i) have been actually incurred by the Tenant, (ii) are determined to be reasonable by the Landlord, (iii) are for Permissible Costs, and (iv) have been verified by the Landlord in accordance with Section 1.1.2(b)(2)(B).

"Qualified Investments Completion Date" means 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 Qualified Investments, (ii) the Tenant has requested payment, and (iii) amounts expended for the Qualified Investments have been verified by the Landlord in accordance with Section 1.1.2(b)(2)(B). The CEO shall separately issue a letter to the Tenant confirming the Qualified Investments Completion Date.

"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.

"Rent Commencement Date" means the date on which the CEO makes the Demised Premises available to the Tenant for the Terminal 1.5 Project. The Landlord shall issue a written notice, which identifies the Rent Commencement Date, within 30 days from the Effective Date.

"Site Improvements" means all site work needed to prepare the Demised Premises for construction of the Facility Improvements as further described in Schedule 1.

"Site Improvements Acquisition Cost" means the actual expenses incurred by the Tenant for the development, design/engineering, construction and financing of the Site Improvements, including Interest Costs (but excluding any early prepayment penalties or premiums) incurred by the Tenant for the Site Improvements and other eligible expenses related to the Demised Premises, as verified by the Landlord and as certified by an officer of the Tenant in a written declaration.

"Site Improvements Completion Date" means 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 Site Improvements, and (ii) the Tenant has requested payment and provided the Landlord with (a) a written declaration by an officer of the Tenant that certifies the actual expenses incurred by the Tenant for the Site Improvements and (b) proof of payment, including, but not limited to, copies of invoices of the actual expenses incurred by the Tenant for the Site Improvements. The CEO shall separately issue a letter to the Tenant confirming the Site Improvements Completion Date.

"Southwest Improvements" means those Facility Improvements which are unique to the Tenant's operations at the Demised Premises and could not easily be utilized by other Airlines that will be operating at the Terminal, when completed, such as (i) movable trade furniture, fixtures and equipment, and (ii) other certain improvements as defined in Schedule 1 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.

"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'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 Demised Premises at the expense of the Tenant and removable without damage to the Terminal that cannot be readily repaired.

"Terminal" means the proposed Terminal 1.5, if and when constructed.

"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.

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 Land 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 contains 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 City of Los Angeles Department of Airports acting as the Landlord, and shall not relate to, constitute a waiver of, supersede or otherwise limit or affect the rights or prerogatives of the City of Los Angeles as a government, including the right to grant or deny any permits required for construction in the Demised Premises 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 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 Land 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 CEO, 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 CEO, in each case as if exercised or given by resolution or order of

the Board. Without limitation of the authority of the CEO 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 CEO 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 CEO 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 CEO as specified in this Section 25.22.

[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:

CITY OF LOS ANGELES

By: _____
Chief Executive Officer
Department of Airports

APPROVED AS TO FORM:

Michael N. Feuer,
City Attorney

Date: August 10, 2017

By: _____
Deputy/~~Assistant~~ City Attorney

TENANT:

SOUTHWEST AIRLINES CO.

By: _____
Name: Bob Montgomery
Title: Vice President - ~~Airport Affairs~~

ATTEST:

By: _____
Name: Mark R. Shaw
Title: Corporate Secretary

[Corporate Seal]

SCHEDULE 1
Summary of Site Improvements

Scope Component	Description
1. Site Improvements	Includes work necessary to prepare the site for the construction of Terminal 1.5. • Perimeter barricade installation • Terminal 1 Skycap relocated and existing structure demolition • Demolition of existing structures, paving, etc. within the Terminal 1.5 footprint • Airfield paving demolition • Mass excavation for the retaining wall, utility tunnel, electrical room, pump room and basement • Earth retention system installation • Electrical duct bank installation from the Terminal 1 DWP vault to the Terminal 1.5 generator and switchgear location Figures A and B shows the anticipated condition when Site Improvements are complete.
TOTAL PROJECTED COST	**$46,000,000**

SCHEDULE 1
Summary of Site Improvements

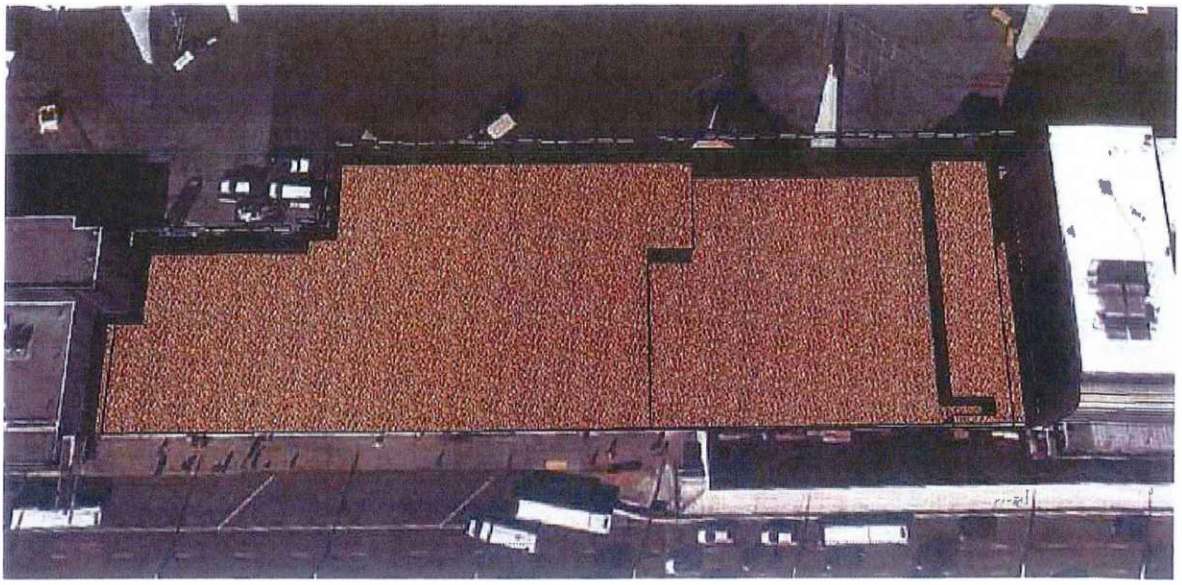


Figure A. Site Improvements from above

Figure B Site Improvements from the west

SCHEDULE 1
Summary of Non-Proprietary Facility Improvements

Scope Component	Description
1. Non-Proprietary Facility Improvements	Includes the complete Terminal 1.5 constructed on the Site Improvements. • Four story terminal building • Basement with support space and utilities (Figure C) • Arrivals level with two baggage claim devices, restrooms, concessions and support spaces (Figure D) • Departures level with ticket counters, skycap check-in, restrooms and support spaces (Figure E) • Concourse level with a security screening checkpoint, restrooms and support spaces (Figure F) • Office level with office space, restrooms and support spaces (Figure G) • A multi-level bus gate • Vertical circulation core for the automated people mover (APM) bridge and building circulation • Secure connector from Terminal 1 to Terminal 2 • Checked baggage inspection system improvements in Terminal 1 to provide baggage screening for bags checked in Terminal 1.5 • Apron paving at gates 10 and 12A • Other improvements necessary for a functional terminal connected to Terminal 1 and 2 The vertical circulation core will be designed to accept the bridge for the APM, which will be installed by others. The design will be based on the following assumptions provided by LAWA to Southwest. • Finished floor elevation of 141'-6" • For a bottom bearing bridge, the top of steel will be nominally 139'-6" • For a top bearing bridge, the connection point will be nominally 154'-2" • The Terminal 1.5 building will accept a 30' wide bridge that meets the building at an angle of no more than 30 degrees • Structural loads pursuant to Figures I through P below.
TOTAL PROJECTED COST	**$432,600,000**

SCHEDULE 1

Figure C

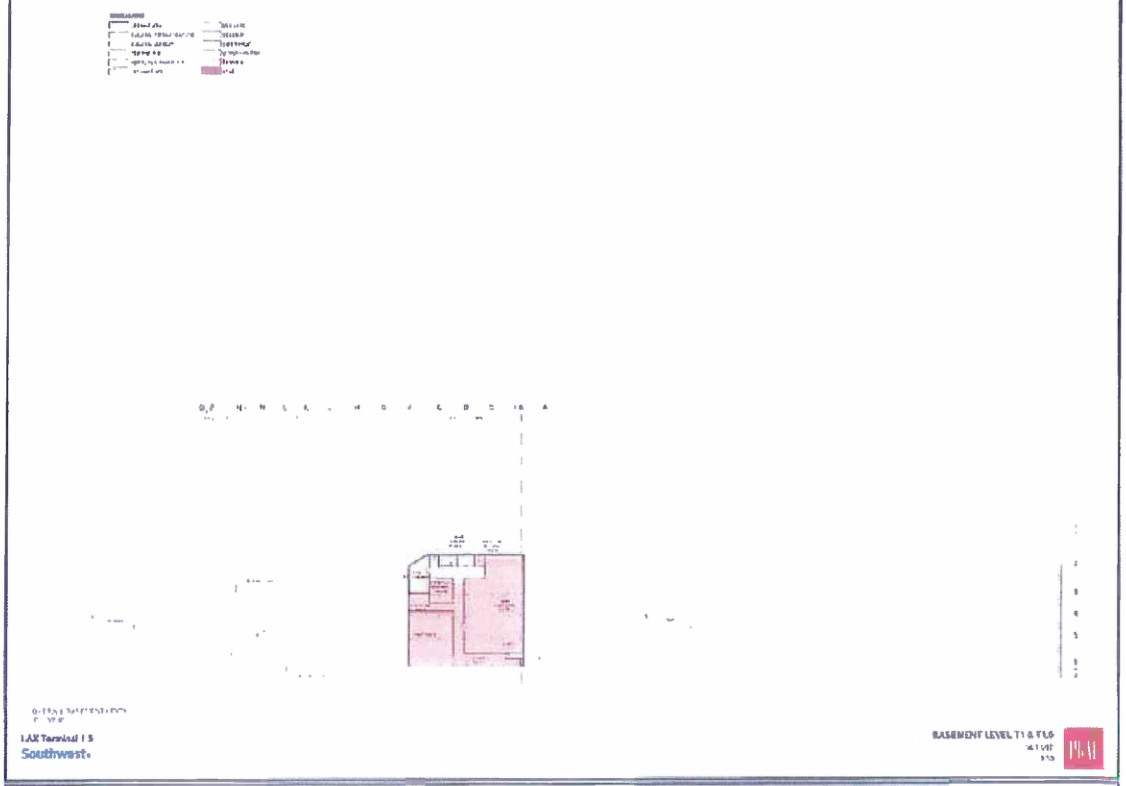
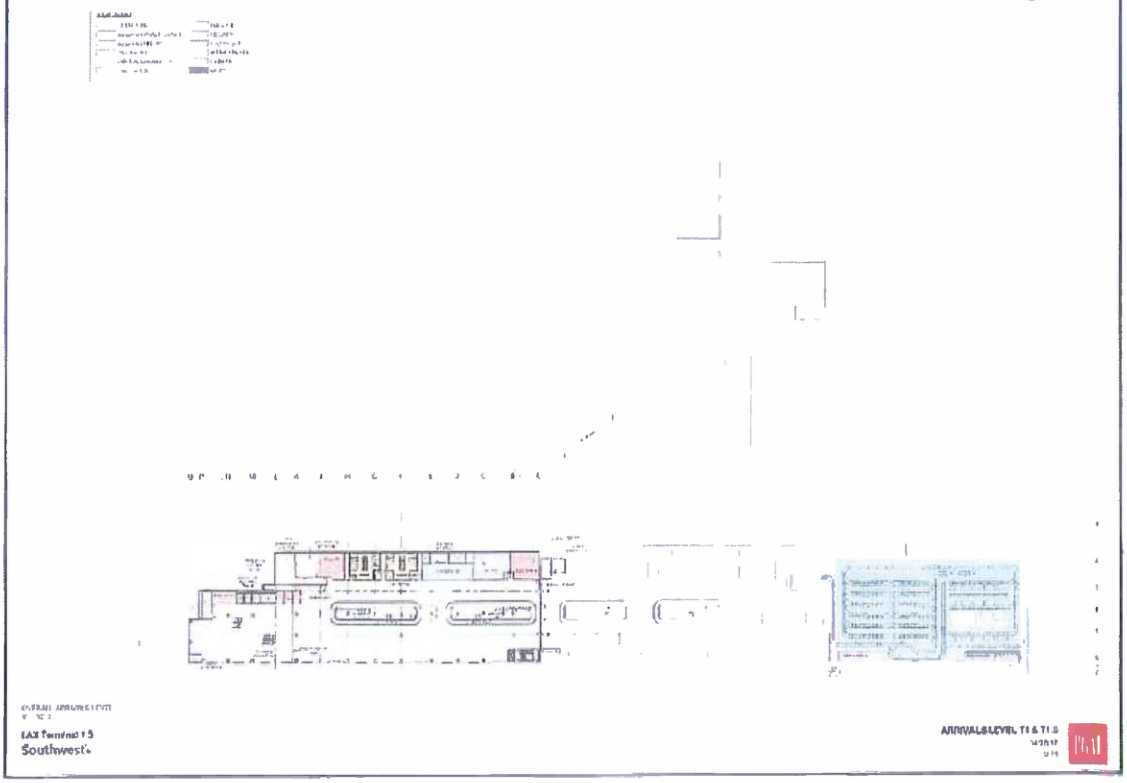


Figure D



SCHEDULE 1

Figure E

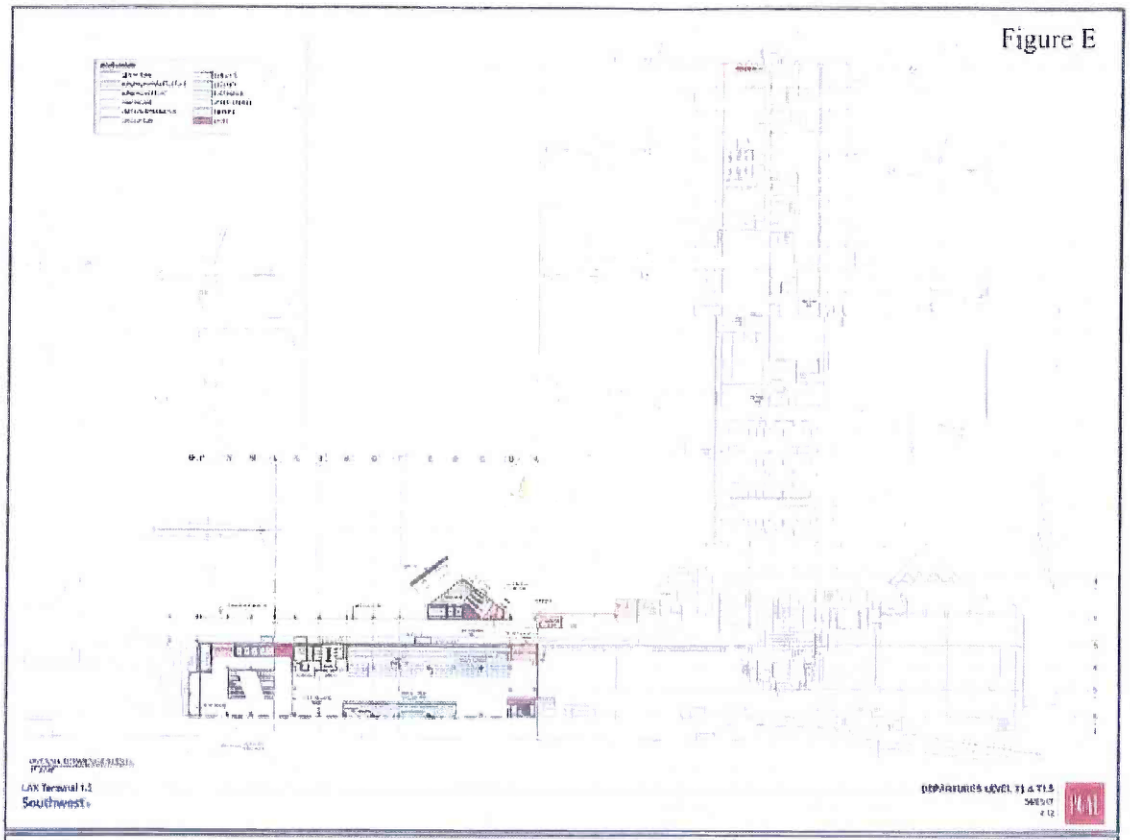
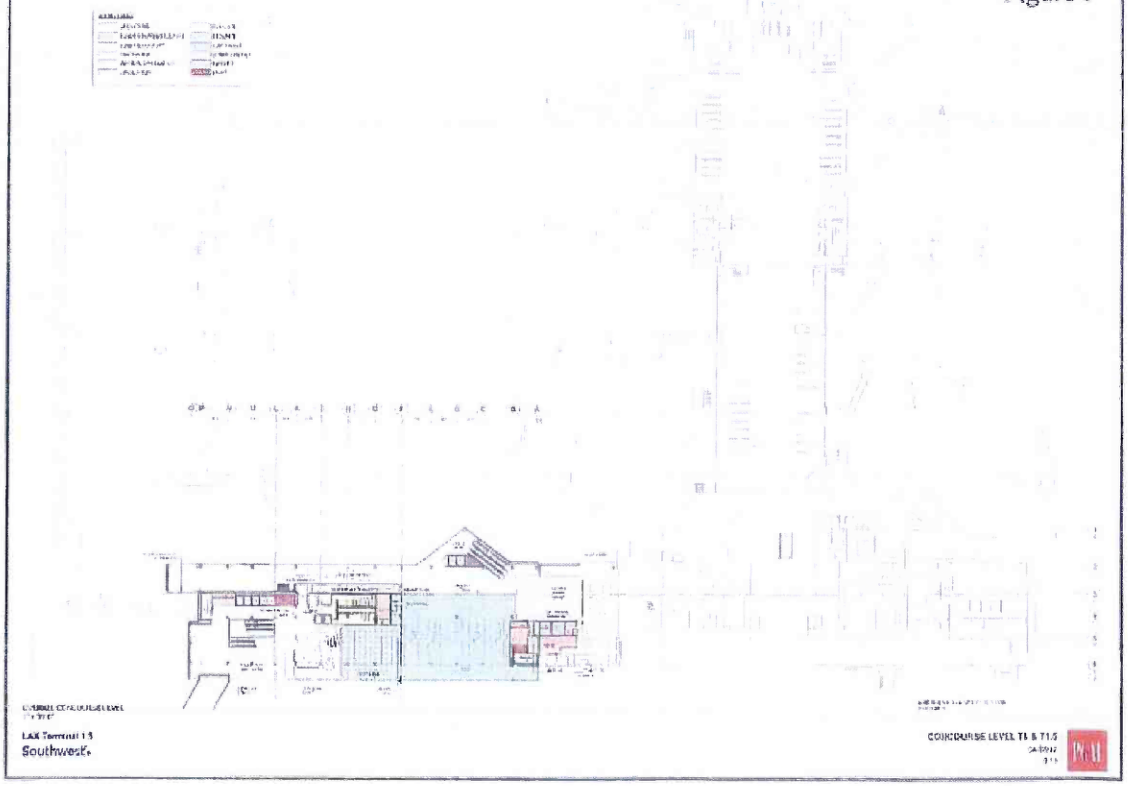


Figure F



SCHEDULE 1

Figure G

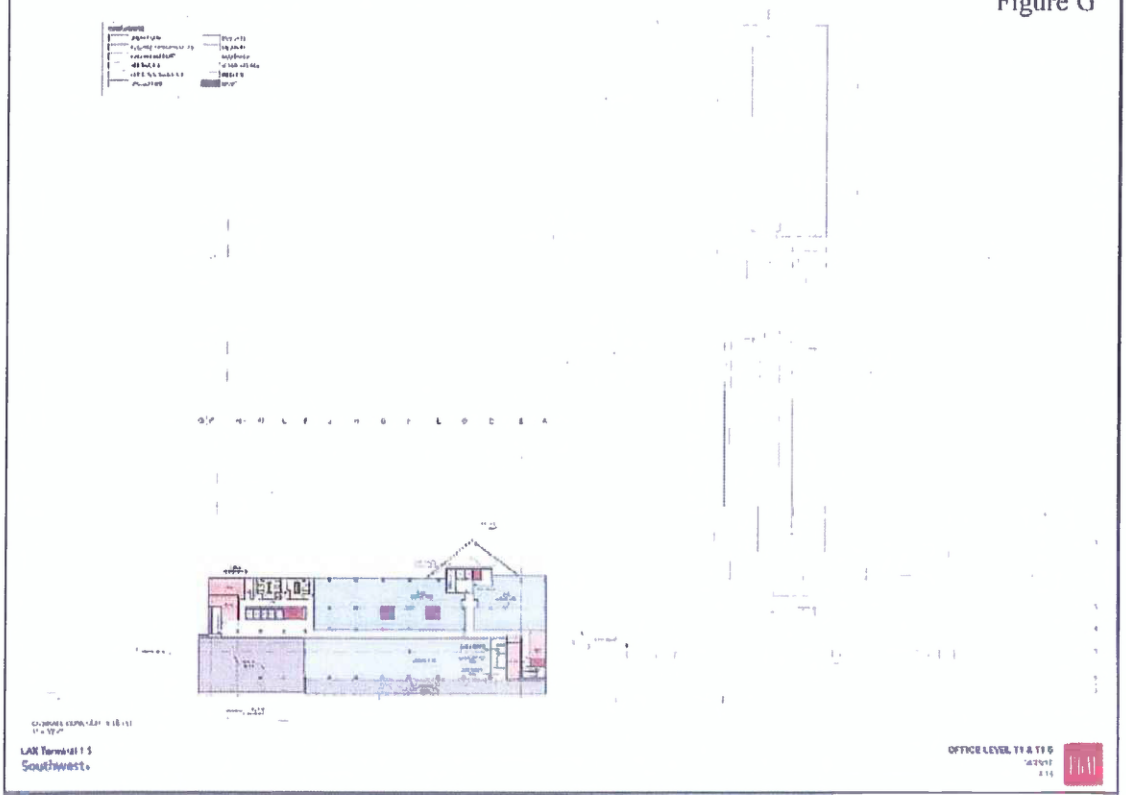
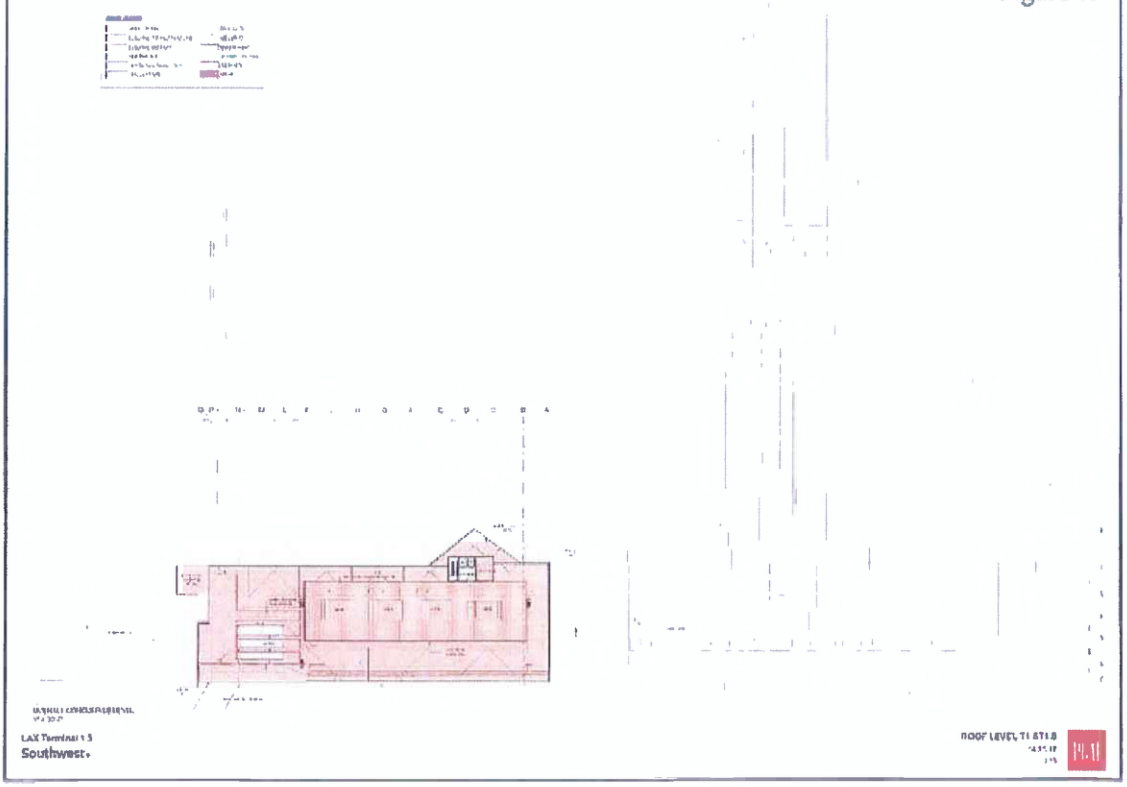


Figure H



SCHEDULE I

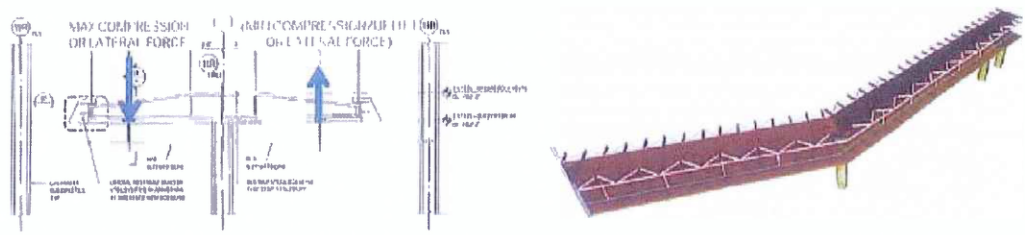
Figure I

REACTIONS AT TERMINAL INTERFACE

Y = E-W

X = N-S

LOCATION	DIRECTION	DEAD LOAD (kip)	LIVE LOAD (kip)	EARTHQUAKE X-DIRECTION (kip)	EARTHQUAKE Y-DIRECTION (kip)	1.4D [ASCE 7-COMB. 1] (kip)	1.2D+1.6L+0.5RL [ASCE 7-COMB. 2] (kip)	1.2D+L+E [ASCE 7-COMB. 5] (kip)	0.9D+E [ASCE 7-COMB. 7] (kip)
TERMINAL TOP DECK	VERTICAL	504 (-72)	222 (-17)	±334 (±196)	±423 (±249)	706 (-101)	919 (-113)	1325 (-372)	990 (-335)
	LONGITUDINAL	2 (-2)	1 (-1)	±11 (±11)	±21 (±20)	3 (-3)	4 (-3)	25 (-23)	20 (-22)
	TRANSVERSE	111 (-117)	49 (-51)	±46 (±207)	±78 (±243)	155 (-164)	202 (-213)	275 (-457)	201 (-379)
TERMINAL BOTTOM DECK	VERTICAL	15 (-1)	10 (1)	±4 (±6)	±6 (±8)	21 (-2)	34 (0)	37 (-9)	23 (-10)
	LONGITUDINAL	1 (0)	0 (0)	±11 (±11)	±14 (±9)	1 (0)	1 (0)	13 (-12)	15 (-12)
	TRANSVERSE	42 (-42)	32 (-31)	±34 (±41)	±68 (±75)	59 (-56)	99 (-97)	157 (-162)	115 (-121)



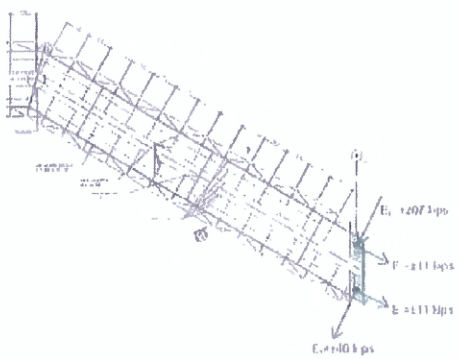
* ALL VALUES SHOWN ARE PRELIMINARY BASED ON SCHEMATIC DESIGN LEVEL SAP2000 MODEL

Figure J

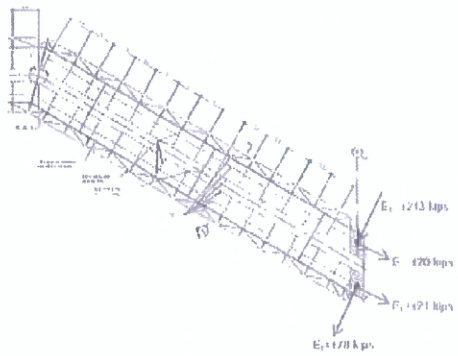
SEISMIC REACTIONS AT TOP DECK SUPPORTS

Y = E-W

X = N-S



EQX



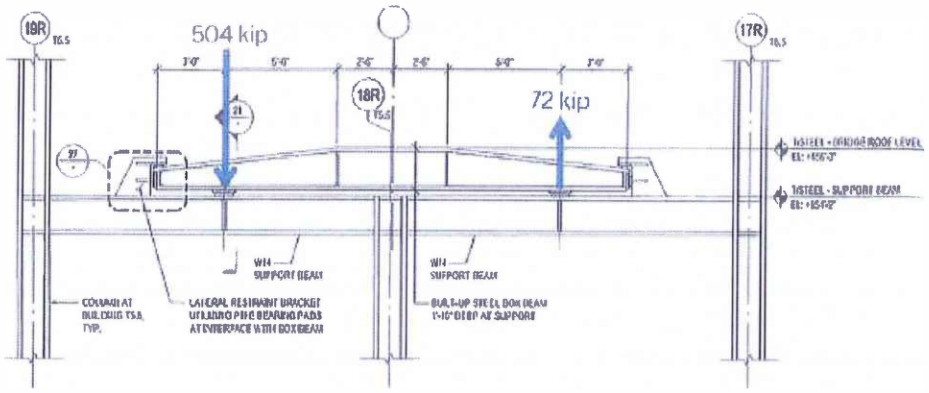
EQY

* ALL VALUES SHOWN ARE PRELIMINARY BASED ON SCHEMATIC DESIGN LEVEL SAP2000 MODEL

SCHEDULE 1

Figure K

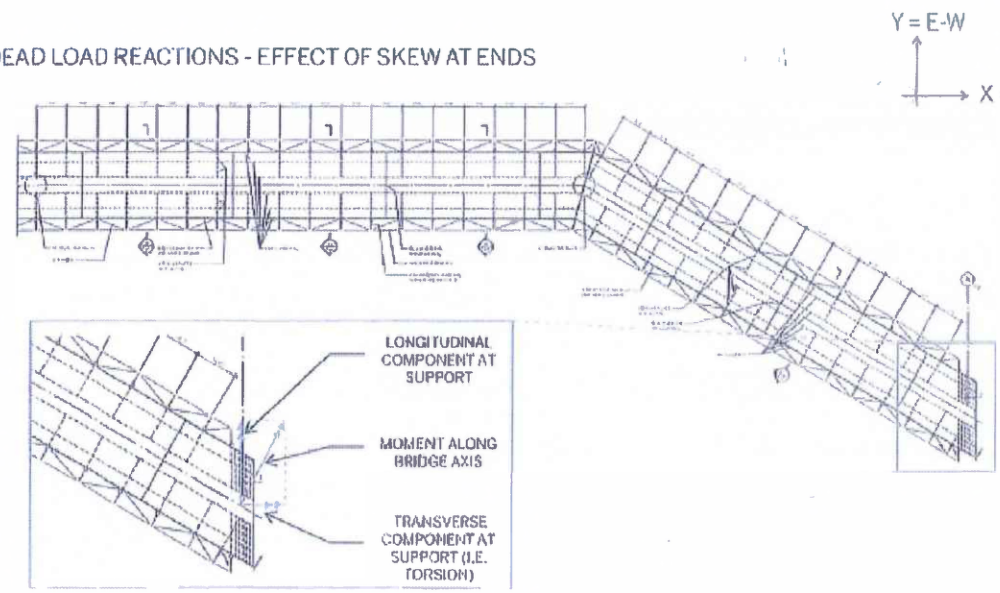
DEAD LOAD REACTIONS AT TOP DECK SUPPORTS



* ALL VALUES SHOWN ARE PRELIMINARY BASED ON SCHEMATIC DESIGN LEVEL SAP2000 MODEL

Figure L

DEAD LOAD REACTIONS - EFFECT OF SKEW AT ENDS



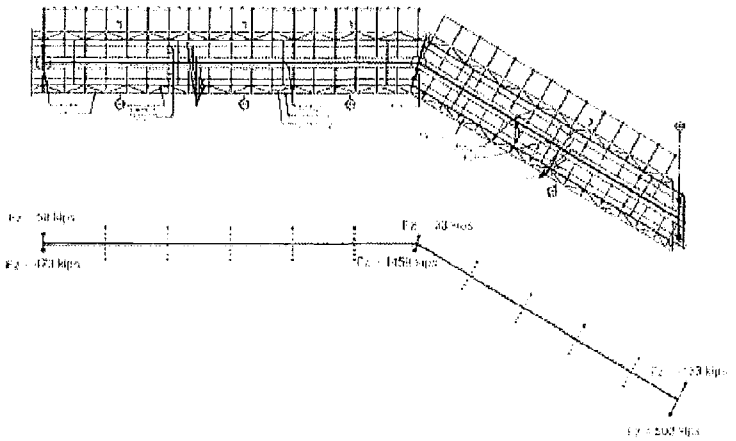
SCHEDULE 1

Figure M

DEAD LOAD REACTIONS - EFFECT OF 30 DEGREE ALIGNMENT

Y = E-W

X = N-S



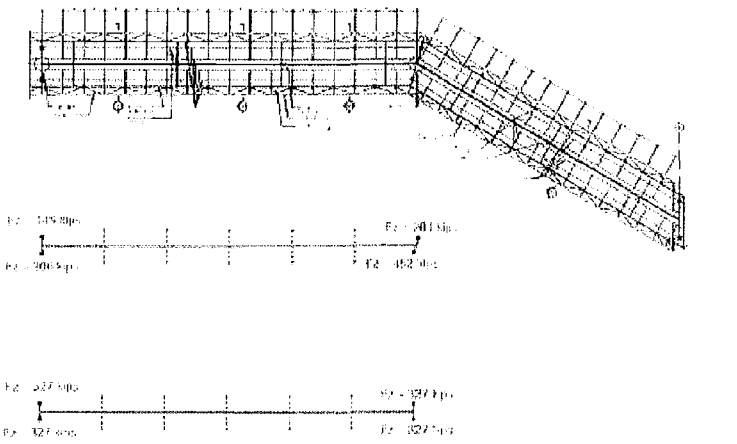
* ALL VALUES SHOWN ARE PRELIMINARY BASED ON SIMPLIFIED FRAME SAP2000 MODEL

Figure N

DEAD LOAD REACTIONS - EFFECT OF SKEW AT ENDS

Y = E-W

X = N-S



* ALL VALUES SHOWN ARE PRELIMINARY BASED ON SIMPLIFIED FRAME SAP2000 MODEL

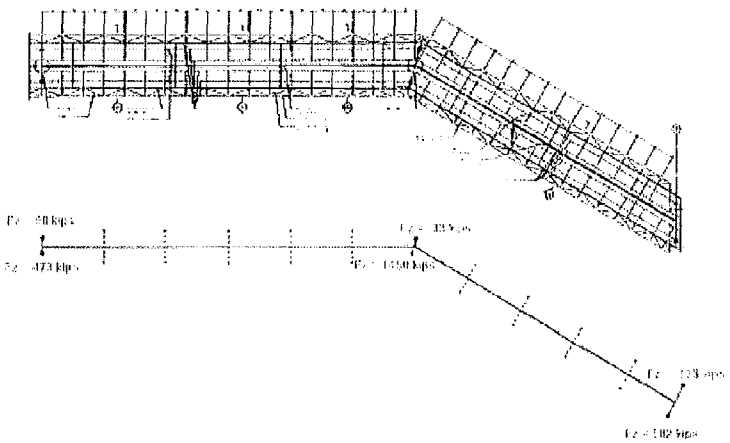
SCHEDULE 1

Figure O

DEAD LOAD REACTIONS - EFFECT OF 30 DEGREE ALIGNMENT

Y = E-W

X = N-S



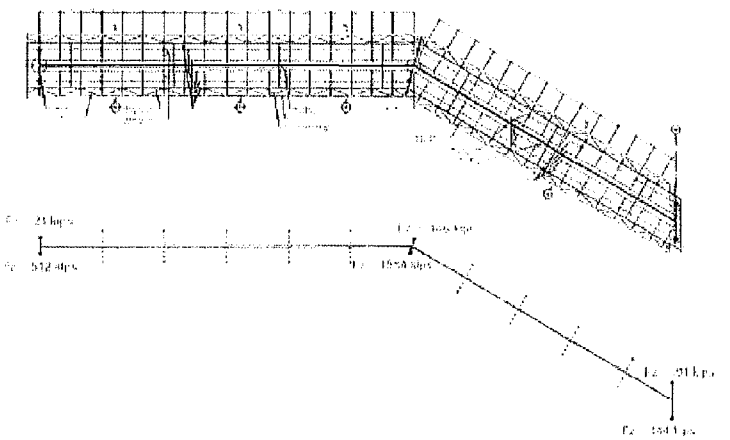
* ALL VALUES SHOWN ARE PRELIMINARY BASED ON SIMPLIFIED FRAME SAP2000 MODEL

Figure P

DEAD LOAD REACTIONS - EFFECT OF 30 DEGREE ALIGNMENT
AND SKEW AT ENDS

Y = E-W

X = N-S



* ALL VALUES SHOWN ARE PRELIMINARY BASED ON SIMPLIFIED FRAME SAP2000 MODEL

SCHEDULE 1
Summary of Southwest Improvements

Scope Component	Description
1. Southwest Improvements	• New ticket counter and curbside millwork, signage and equipment • All branded signage and displays • Interior build out of new Southwest Airlines demised premises
TOTAL PROJECTED COST	**$11,300,000**

SCHEDULE 1
Summary of Qualified Investments

Scope Component	Description
1. Qualified Investments	The Qualified Investments include Permissible Costs as defined. In addition, the following items are pre-approved as Permissible Costs. • Cable crash barrier around the excavated site • Miscellaneous apron paving • Apron paving and fuel system work for Gates 10 and 12A • Passenger boarding bridge for Gate 12A • Re-establish Terminal 1 fire loop • Return of Terminal 1restroom to service and relocation of Terminal 1 storage room • APM bridge foundation
TOTAL PROJECTED COST	**$93,000,000**

Schedule 3

INSURANCE REQUIREMENTS FOR LOS ANGELES WORLD AIRPORTS

NAME: **SOUTHWEST AIRLINES CO.**
AGREEMENT / ACTIVITY: **Ground lease located between Terminals 1 and 2 at LAX. Southwest will be developing Terminal 1.5 on the site.**
LAWA DIVISION: **Commercial Development Group**

The insured must maintain insurance coverage at limits normally required of its type operation; however, the following coverage noted with an "X" is the minimum required and must be at least the level of the limits indicated. All limits are per occurrence unless otherwise specified.

	LIMITS
(X) Workers' Compensation (Statutory)/Employer's Liability (X) Voluntary Compensation Endorsement (X) Waiver of Subrogation, specifically naming LAWA (Please see attached supplement)	**Statutory**
(X) Automobile Liability - covering owned, non-owned & hired auto	**$10,000,000 CSL**
(X) Aviation/Airport **or** Commercial General Liability, including the following coverage: (X) Premises and Operations (X) Contractual (Blanket/Schedule) (X) Independent Contractors (X) Personal Injury (X) Products /Completed Operations (X) Damage to Premises Rented to You (minimum $1 million each occurrence) ( ) Liquor Liability (X) Explosion, Collapse & Underground (required when work involves digging, excavation, grading or use of explosive materials.) ( ) Hangarkeepers Legal Liab. (X) Additional Insured Endorsement, specifically naming LAWA (Please see attached supplement).	**$50,000,000**
(X) Property Insurance	
(X) Building, including contents All Risk/Special Form Coverage, including flood and earthquake LAWA named additional insured and loss payee	**100% Replacement Cost**
(X) Tenant improvements All Risk/Special Form Coverage, including flood and earthquake LAWA named loss payee	**100% Replacement Cost**
(X) Waiver of subrogation naming LAWA (Please see attached supplement)	
(X) Builder's Risk Insurance All Risk/Special Form Coverage, including flood and earthquake LAWA named loss payee Required if property or building ultimately revert to City	**Total project value - 100% Replacement Cost**
(X) Pollution Legal Liability *** Must meet contractual requirements	**$ *** **

CONTRACTOR SHALL BE HELD RESPONSIBLE FOR OWN OR HIRED EQUIPMENT AND SHALL HOLD AIRPORT HARMLESS FROM LOSS, DAMAGE OR DESTRUCTION TO SUCH EQUIPMENT.

INSURANCE COMPANIES WHICH DO NOT HAVE AN AMBEST RATING OF A- OR BETTER, AND HAVE A MINIMUM FINANCIAL SIZE OF AT LEAST 4, MUST BE REVIEWED FOR ACCEPTABILITY BY RISK MANAGEMENT.

INSURANCE REQUIREMENTS FOR LOS ANGELES WORLD AIRPORTS (SUPPLEMENT)

The **only** evidence of insurance accepted will be either a Certificate of Insurance and/or a True and Certified copy of the policy. The following items must accompany the form of evidence provided:

- **Endorsements:**

  1. Workers Compensation Waiver of Subrogation Endorsement (WC 04 03 06 or similar)

  2. General Liability Additional Insured Endorsements (ISO Standard Endorsements)

  3. Property Insurance Waiver of Subrogation Endorsement

  ****All endorsements must specifically name in the schedule:

  The City of Los Angeles, Los Angeles World Airports, its Board, and all of its officers, employees and agents.

  A BLANKET/AUTOMATIC ENDORSEMENT AND/OR LANGUAGE ON A CERTIFICATE OF INSURANCE IS NOT ACCEPTABLE.

- A typed legible name of the Authorized Representative must accompany the signature on the Certificate of Insurance and/or the True and Certified copy of the policy.

Schedule 4
Southwest Airlines Co.

Demised Premises
Land between Terminal 1 and Terminal 2

		Premises on Commencement Date (SF) 95,000		Premises following Site Improvements (SF) 65,000	
Demised Premises (SF)		95,000	-	65,000	-
Land Rental Rate per square foot/year		Annual Rent $2.99	Monthly Rent $2.99	Annual Rent $3.17	Monthly Rent $3.17
	Estimated Charges	$284,050.00	$23,670.83	$206,246.00	$17,187.17
Estimated Monthly Payments			$23,670.83	-	$17,187.17
Faithful Performance Guaranty Requirement:			$71,012.50		$51,561.50

Commencement Date:
July 1, 2017

Permitted Uses:
To construct and operate a business of an air transportation carrier and for purposes reasonably incidental thereto.

Aeronautical User Contact for Notices:
Southwest Airlines Co
Department 877
P.O. Box 20706
Atlanta, GA 30320-6001
Attention: V.P Corporate Real Estate
Telecopier No (414) 715-4965

Exhibit A
Premises on Commencement Date
Site for Construction
Approximately 95,000 SF

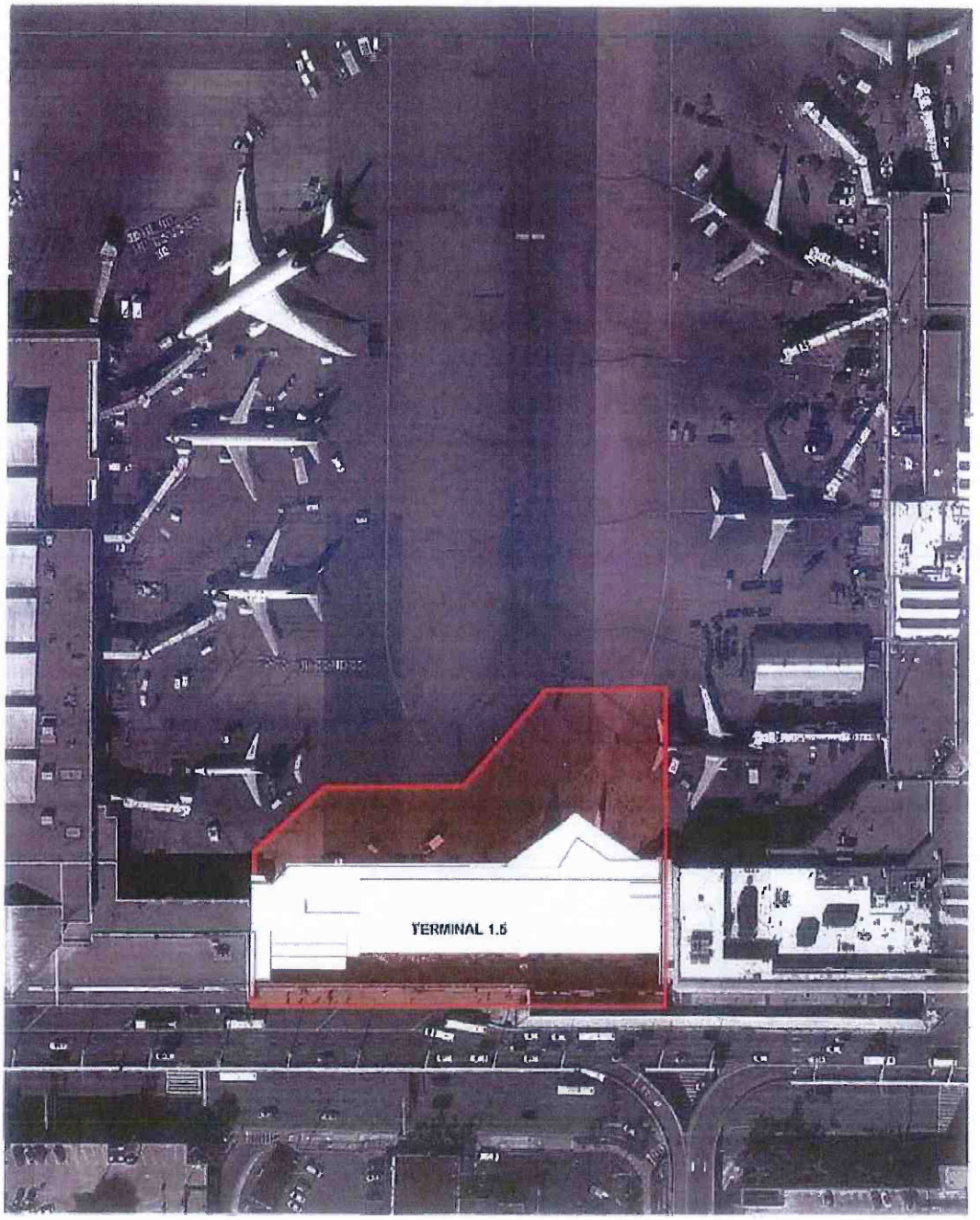


Exhibit A-1
Premises following Site Improvements
Site for Construction
Approximately 65,000 SF

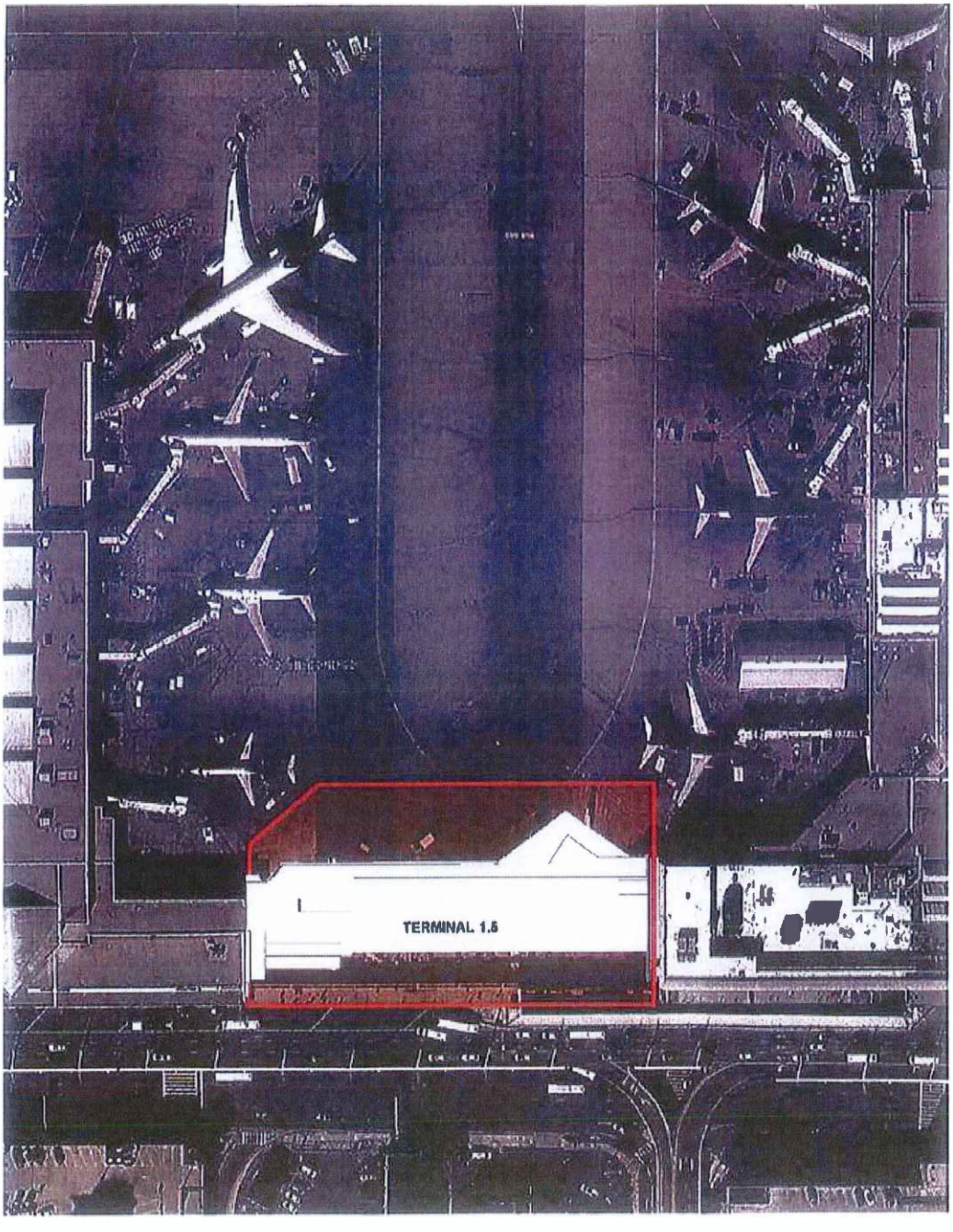


Exhibit B
Terminal 2 Right of Entry
(page 1 of 3)

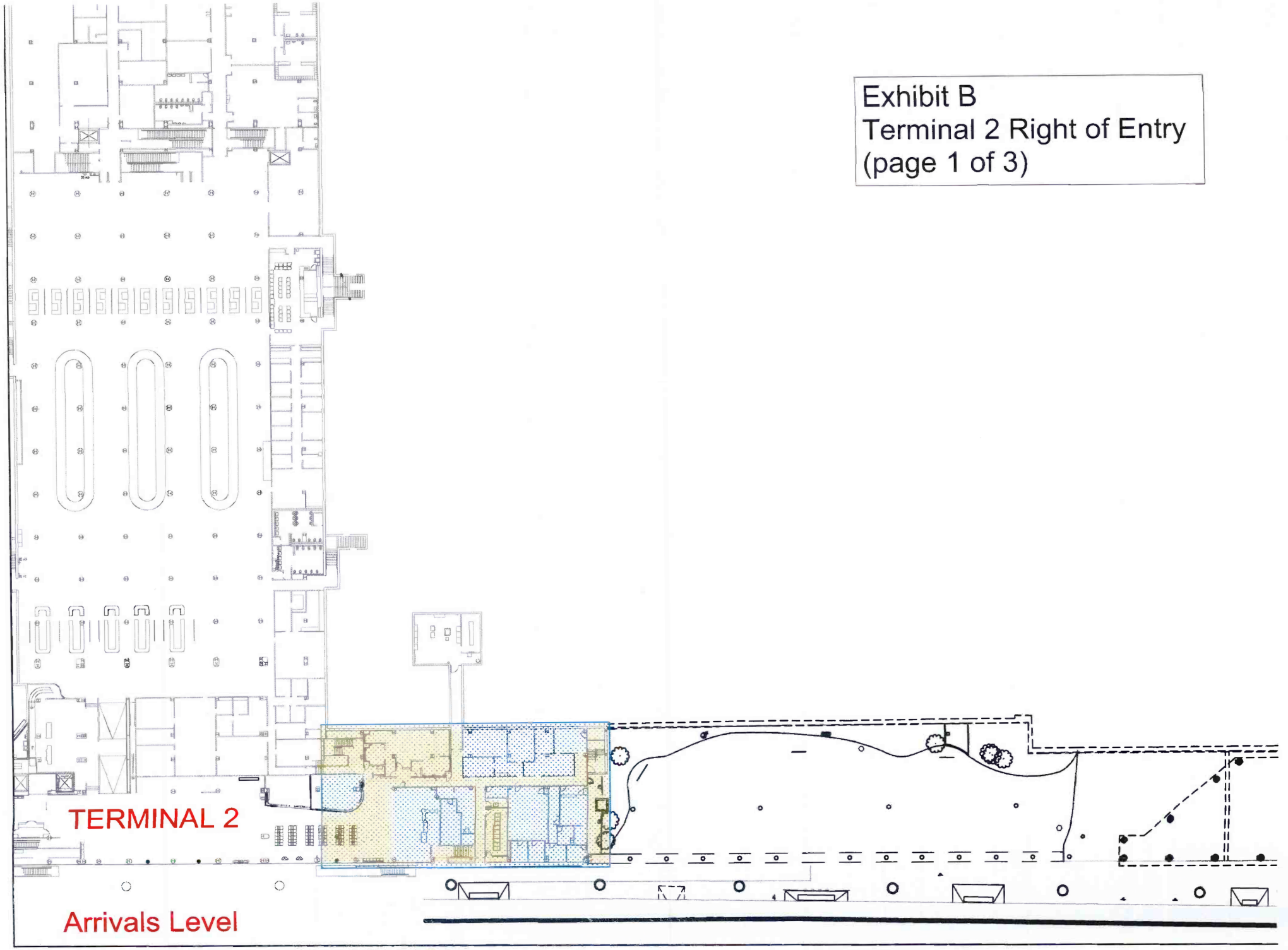


Exhibit B
Terminal 2 Right of Entry
(page 2 of 3)

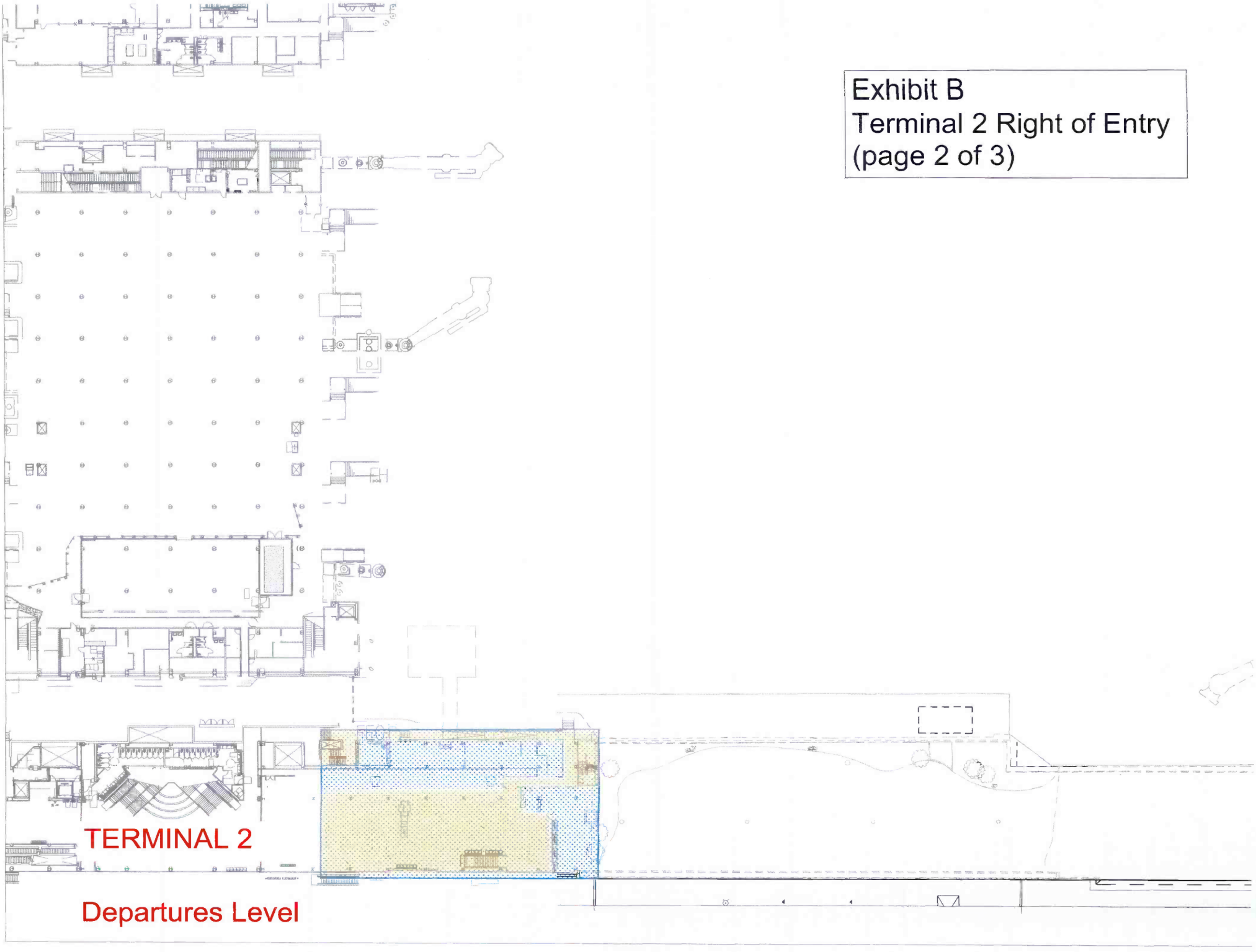
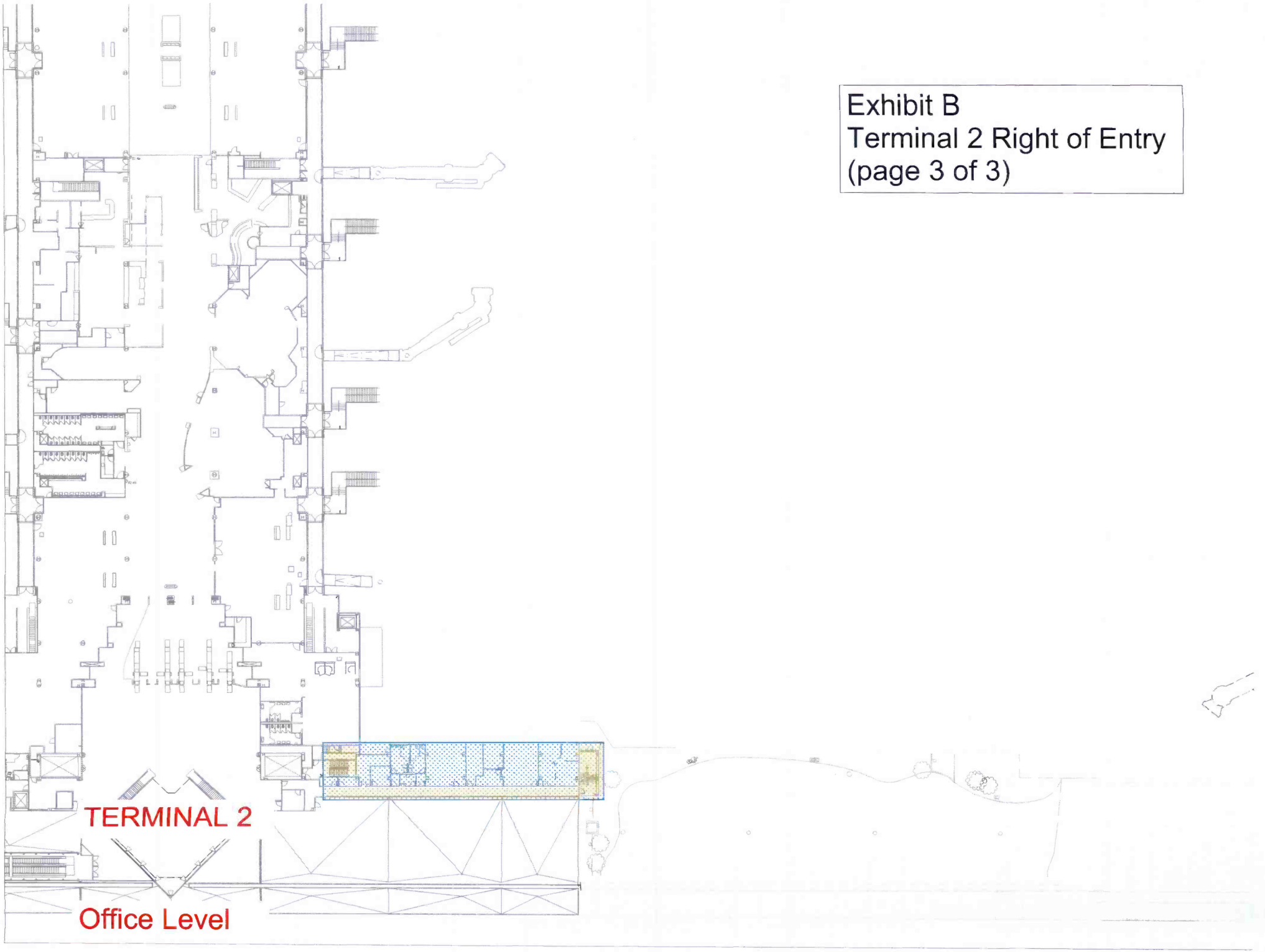


Exhibit B
Terminal 2 Right of Entry
(page 3 of 3)



LETTER OF ASSENT

[To be signed by all Contractors Undertaking Work on the Terminal 1.5 Southwest Improvements 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 1.5 Southwest Improvements 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 D

The following provisions apply to the extent Tenant undertakes construction of the Site Improvements within the Demised Premises:

A. Tenant Responsibilities with respect to the Site Improvements.

1. **Responsibility for Site Conditions Including Utilities.** The Tenant acknowledges and agrees that it is fully responsible for ascertaining the conditions at the Demised Premises (the "Project Site"), including existing utilities, and ensuring that the plans and specifications for improvements to be developed on the Project Site appropriately address site conditions. Any information regarding site conditions included in this Lease and any other information provided by the Landlord shall not be considered "indicated" in this Lease as such term is used in Public Contract Code section 7104. The Tenant specifically waives the benefit of Public Contract Code section 7104 and Government Code section 4125 to the extent that such statutes apply to this Lease and are deemed inconsistent with the provisions set forth in this Section 2.

2. **Trenching.** The Tenant shall ensure compliance with Labor Code Section 6705 in connection with the excavation of any trench or trenches five feet or more in depth.

3. **Contractors and Subcontractors.**

   3.1. **Contractor and Subcontractors.** The Tenant shall require the Contractor to obtain written consent from the Tenant prior to the substitution of any subcontractor on the Site Improvement project.

   3.2. **Ineligible Contractors and Subcontractors.** Pursuant to the provisions of Section 6109 of the Public Contract Code, the Tenant shall ensure that no firm performs work on the Project Site if the firm is ineligible to perform work on the public works project pursuant to Section 1777.1 or 1777.7 of the Labor Code.

4. **Payment Bonds for Site Improvements.** As a condition to start of construction of the Site Improvements, the Tenant shall deliver to the Landlord payment bonds on forms provided by the Landlord, from the prime contractor(s) for the Site Improvements. The payment bond shall meet applicable requirements under Civil Code section 9554. The payment bond shall be issued by an admitted surety insurer licensed by the California Department of Insurance and authorized to issue surety bonds in the State of California.

5. **Notification of Claims.** If the Landlord receives notice of a claim, cause of action, suit, legal or administrative proceeding covered by the indemnities in this Lease, or otherwise has actual knowledge of such a claim, cause of action, suit,

legal or administrative proceeding that it believes is within the scope of the indemnities under this Lease, the Landlord shall by writing as soon as practicable after receipt of the claim, cause of action, suit, legal or administrative proceeding: (a) inform the Tenant of the claim, cause of action, suit, legal or administrative proceeding, and (b) send to the Tenant a copy of all written materials the Landlord has received asserting such claim, cause of action suit, legal or administrative proceeding.

6. **Waiver of Licensing Requirements**. The Tenant has, pursuant to this Lease, been designated by the Landlord as the Landlord's "authorized representative" for causing the construction of the Site Improvements. Provided that (a) any and all construction work on the Site Improvements is performed in all respects by contractors duly licensed in accordance with California Business and Professions Code sections 7000-7191 and (b) such contractors provide payment and performance bonds as specified herein, the Landlord, to the extent permitted by law, hereby waives any right, claim or defense against the Tenant arising solely out of the Tenant's failure to hold a state contractor's license, based on the assumption that as an "authorized representative" the Tenant is not required, pursuant to the exemption set forth therefor in California Business and Professions Code section 7040, to acquire or hold a State contractor's license.

B. **Provisions to be Included in Construction Contracts**

1. **Contract Provisions**. Each construction contract for the Site Improvements shall include the following provisions:

A. **Worker's Compensation.** Contractor shall comply with the provisions of Section 3700 of the California Labor Code which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that Code.

B. **Prevailing Wages.** In accordance with the provisions of Los Angeles City Charter Section 377 and Section 1773 of the State Labor Code, the Tenant has obtained the general prevailing rate of wages (which rate includes employer payments for health and welfare, pension, vacation, travel time and subsistence pay as provided for in Section 1773.1 of said Code), apprenticeship or other training programs authorized by Section 3093 of said Code, worker protection and assistance programs or committees established under the Federal Labor Management Cooperation Act of 1978, industry advancement and collective bargaining agreements administrative fees, provided that these payments are required under a collective bargaining agreement pertaining to the particular craft, classification, or type of work within the locality or the nearest labor market area at issue and other similar purposes applicable to the Work to be done, for straight time, overtime, Saturday, Sunday, and holiday work. The holiday wage rate listed shall be applicable to all holidays recognized in the collective bargaining agreement of the particular craft, classification

or type of worker concerned; provided that if the prevailing wage rate is not based on a collectively bargained rate, the holidays upon which the prevailing rate are paid shall be as provided in Section 6700 of the California Government Code. Copies of the prevailing rates of wages are on file at the Tenant's offices, and will be furnished to Contractor and other interested parties on request. For crafts or classifications not shown on the prevailing wage determinations, Contractor may be required to pay the wage rate of the most closely related craft or classification shown in such determinations.

If the Division of Labor Standards Enforcement determines that employees of any subcontractor were not paid the general prevailing rate of per diem wages, Contractor shall withhold an amount of moneys due to the subcontractor sufficient to pay those employees the general prevailing wage rate of per diem wages if requested by the Division of Labor Standards Enforcement. Contractor shall pay any money retained from and owed such subcontractor upon receipt of notification by the Division of Labor Standards Enforcement that the wage complaint has been resolved. Pursuant to Section 1773.2 of the Labor Code, Contractor shall post prevailing wage rates at a prominent place at the worksite.

C. **Hours of Work.** Eight hours labor constitutes a legal day's work.

D. **Apprenticeship.** Contractor shall comply with the provisions of Labor Code Sections 1777.5 and 1777.6, and Title 8, Code of Regulations, Sections 200 et. seq., relating to apprentice employment and training. Contractor shall assume full responsibility for compliance with said sections with respect to all apprenticeable occupations on the Project. To ensure compliance and complete understanding of the law regarding apprentices, and specifically the required ratio thereunder, Contractor should, where some question exists, contact the Division of Apprenticeship Standards, Los Angeles Office, 320 West 4th Street, Suite 830, Los Angeles, CA 90013, prior to commencement of the work.

2. **Subcontract Addendum.** Each construction contract for the Site Improvements shall include as an exhibit the most recent version of the "Subcontract Addendum for California Public Works Projects" published by the Associated General Contractors of America.

3. **Provisions Applicable to Procurement of Construction Contracts.** Each bidder for the Site Improvements shall be required to provide, with its bid to the Tenant, the Non-Collusion Declaration and Iran Contracting Certification set forth below:

[declaration/certification follows]

NON-COLLUSION DECLARATION

[To be signed by authorized representatives of the bidder and each of its joint venture members. The form may be signed in counterparts.]

The undersigned declare:

A. _____ is the _____ of _____ and _____ is the _____ of _____, which entity(ies) are the _____ of _____, the entity making the foregoing bid.

B. The bid is not made in the interest of, or on behalf of, any undisclosed person, partnership, company, association, organization, or corporation. The bid is genuine and not collusive or sham. The bidder has not directly or indirectly induced or solicited any other bidder to put in a false or sham bid, and has not directly or indirectly colluded, conspired, connived or agreed with any bidder or anyone else to put in a sham bid or to shall refrain from proposing. The bidder has not in any manner, directly or indirectly, sought by agreement, communication or conference with anyone to fix the bid prices of the bidder or any other bidder, or to fix any overhead, profit or cost element included in the bid, or of that of any other bidder. All statements contained in the bid are true. The bidder has not, directly or indirectly, submitted its bid prices or any breakdown thereof, or the contents thereof, or divulged information or data relative thereto, to any corporation, partnership, company, association, joint venture, limited liability company, organization, bid depository or any member, partner, joint venture member or agent thereof to effectuate a collusive or sham bid, and has not paid, and will not pay, any person for such purpose.

C. The bidder will not, directly or indirectly, divulge information or data regarding the price or other terms of its bid to any other bidder, or seek to obtain information or data regarding the price or other terms of any other bid, until after award of the Contract or rejection of all bids and cancellation of the RFP.

D. Any person executing this declaration on behalf of a bidder that is a corporation, partnership, joint venture, limited liability company, limited liability partnership, or any other entity, hereby represents that he or she has full power to execute, and does execute, this declaration on behalf of the bidder.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration is executed on _____ [date], at _____ [city], _____ [state]."

_____	_____
(Signature)	(Signature)
_____	_____
(Name Printed)	(Name Printed)
_____	_____
(Title)	(Title)

IRAN CONTRACTING CERTIFICATION

The undersigned hereby certifies that:

1. It is not identified on a list created pursuant to Section 2203(b) of the California Public Contract Code as a person engaging in investment activities in Iran described in Section 2202.5(a), or as a person described in Section 2202.5(b), as applicable; or

2. It is on such a list but has received permission pursuant to Section 2203(c) or (d) to submit a bid or bid in response to work for site improvements at Los Angeles International Airport.

Note: Providing a false certification may result in civil penalties and sanctions.

Date: _____

Entity: _____

Signature: _____

Title: _____

[*Duplicate this form so that it is signed by the bidder and all joint venture members of the bidder.*]

Exhibit E

Land Rental Rate

Land Rent	Current Rate = $2.99/SF/YR
Annual Adjustment:	Based on Consumer Price Index with a minimum increase of 2% and maximum increase of 7% during years other than when land is adjusted to market value every five years.

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.

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)

EXHIBIT G
CONTRACTOR RESPONSIBLITY PROGRAM

CONTENTS

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

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) "**Subcontactor**" 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

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 Lessees 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 or 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
QUESTIONNAIRE FOR PROSPECTIVE TENANTS

On December 4, 2001, the Board of Airport Commissioners adopted Resolution No. 21601, establishing LAWA's Contractor Responsibility Program (CRP). The intent of the program is to ensure that all LAWA tenants have the necessary quality, fitness and capacity to comply with the terms of the lease. To assist LAWA in making this determination, each prospective tenant is required to complete and submit the attached CRP Questionnaire prior to award of the new lease. The submitted CRP questionnaire will become public record and information contained therein will be available for public review for at least fourteen (14) calendar days prior to the award of the new lease, except to the extent that such information is exempt from disclosure pursuant to applicable law.

The signatory of this questionnaire guarantees the truth and accuracy of all statements and answers to the questions herein. Failure to complete and submit this questionnaire as required may render the prospective tenant non-compliant with the terms of the lease and result in non-award of the proposed lease. During the review period if the prospective tenant is found non-responsible, he/she is entitled to an Administrative Hearing, if a written request is submitted to LAWA within ten (10) working days from the date LAWA issued the non-responsibility notice. Final determination of non-responsibility will result in sanctions as outlined in the CRP Rules and Regulations for Leases.

All questionnaire responses must be typewritten or printed in ink. Where an explanation is required or where additional space is needed to explain an answer, use the CRP Questionnaire Attachment A. Submit the completed and signed Questionnaire and all attachments to LAWA. Retain a copy of this completed questionnaire for future reference. Tenants shall submit updated information to LAWA within thirty (30) days if changes have occurred that would make any of the responses inaccurate in any way.

A. LEASE DESCRIPTION AND LOCATION:

_____

B. TENANT INFORMATION:

Southwest Airlines Co.
Legal Name DBA

2702 Love Field Dr Dallas TX 75235
Street Address City State Zip

Bob Montgomery, VP-Airport Affairs (214) 792-4765
Contact Person, Title Phone Fax

C. TYPE OF SUBMISSION:

☐ An initial submission of a CRP Questionnaire. **Please complete all questions and sign Attachment A.**

☐ Changes being reported. CRP Questionnaire dated _____/_____/_____ and previously submitted to LAWA is being updated. **Please complete all questions and sign Attachment A.**

☑ No changes being reported. CRP Questionnaire dated _____/_____/_____/ and previously submitted to LAWA has no changes. **Please sign below and return this page.**

I certify under penalty of perjury under the laws of the State of California that there has been no change to any of the responses since the firm submitted the last CRP Questionnaire to LAWA.

Bob Montgomery Vice President - Airport Affairs — Print Name, Title
Signature
MAY 26 2017 — Date

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.

VIII. 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.

IX. 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.

CHAPTER 1, ARTICLE 11

LIVING WAGE

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 other firms for the purpose of economic development or job growth. The City expends grant funds under programs created by the federal and state governments. These expenditures serve to promote the goals established for the grant programs and for 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. The minimal compensation tends to inhibit the quantity and quality of services rendered by those 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 which will improve the level of services rendered to and for the City.

The inadequate compensation typically paid also fails to provide service employees with resources sufficient to afford life in Los Angeles. Contracting decisions involving the expenditure of City funds should not foster conditions that place 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.

In comparison with the wages paid at San Francisco International Airport, the wage for Los Angeles airport workers is often lower even though the airports are similar in the number of passengers they serve and have similar goals of providing a living wage to the airport workforce. Therefore, the City finds that a higher wage for airport employees is needed to reduce turnover and retain a qualified and stable workforce.

Nothing less than the living wage should be paid by employers that are the recipients of City financial assistance. 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.

The City holds a proprietary interest in the work performed by many employees of City lessees and licensees

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 hinders the opportunity for success of City operations. A proprietary interest in providing a living wage is important for various reasons, including, but not limited to: 1) the public perception of the services or products rendered to them by a business; 2) security concerns related to the location of the business or any product or service the business produces; or 3) an employer's industry-specific job classification which is in the City's interest to cover by the living wage. 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. If an employer does not comply with this article, the City may: 1) declare a material breach of the contract; 2) declare the employer non-responsible and limit its ability to bid on future City contracts, leases or licenses; and 3) exercise any other remedies available.

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; In Entirety, Ord. No. 184,318, Eff. 7-7-16.

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, 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.

(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 $1,000,000 or more in any 12-month period shall require compliance with this article for five years from the date such assistance reaches the $1,000,000 threshold. For assistance in any 12-month period totaling less than $1,000,000 but at least $100,000, there shall be compliance for one year, with the period of compliance beginning when the accrual of continuing assistance reaches the $100,000 threshold.

Categories of 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 at market rate shall not be regarded as financial assistance. The forgiveness of a loan shall be regarded as financial assistance. A loan shall be regarded as financial assistance to the extent of any differential between the amount of the loan and the present value of the payments thereunder, discounted over the life of the loan by the applicable federal rate as used in 26 U.S.C. §§ 1274(d) and 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 year;

(2) it employs fewer than five Employees for each working day in each of 20 or more calendar weeks in the current or preceding calendar year; or

(3) it obtains a waiver as a recipient who employs the long-term unemployed or provides trainee positions intended to prepare Employees for permanent positions. The recipient shall attest that compliance with this article would cause an economic hardship and shall apply in writing to the City department or office administering the assistance. The department or office shall forward the waiver application and the department's or office's recommended action to the City Council. Waivers shall be effected 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).

(h) **"Designated Administrative Agency (DAA)"** means the Department of Public Works, Bureau of Contract Administration, which shall bear administrative responsibilities under this article.

(i) **"Employee"** means any person who is not a managerial, supervisory or confidential employee and who is working for the Contractor in the United States:

(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 one of the following: a public lessee or licensee, or a sublessee or sublicensee of a public lessee or licensee; a service Contractor or Subcontractor of a public lessee or licensee; or sublessee or sublicensee working on the leased or licensed premises;

(3) as an Employee of a City Financial Assistance Recipient who expends at least half of his or her time on the funded project; or

(4) as an Employee of 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.

(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"** means, except as provided in Section 10.37.15, a lease or license of City property (including, but not limited to, Non-Exclusive License Agreements, Air Carrier Operating Permits and Certified Service Provider License Agreements) on which services are rendered by Employees of the public lessee or licensee or sublessee or sublicensee, or of a Contractor or Subcontractor, but only where any of the following applies:

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

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

(3) The DAA has determined in writing as approved by the Board of Public Works that coverage would further the proprietary interests of the City. Proprietary interest includes, but is not limited to:

(i) the public perception of the services or products rendered to them by a business;

(ii) security concerns related to the location of the business or any product or service the business produces; or

(iii) an Employer's industry-specific job classifications as defined in the regulations.

(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 $25,000 and a contract term of at least three months, but only where any of the following applies:

(1) at least some of the services are rendered by Employees whose work site is on property owned or controlled by the City;

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

(3) the DAA has determined in writing as approved by the Board of Public Works that coverage would further the proprietary interests of the City. Proprietary interest includes, but is not limited to:

(i) the public perception of the services or products rendered to them by a business;

(ii) security concerns related to the location of the business or any product or service the business produces; or

(iii) an Employer's industry-specific job classifications as defined in the regulations.

(n) "**Subcontractor**" means any person not an Employee who enters into a contract (and who 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).

(o) "**Willful Violation**" means that the Employer knew of 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; In Entirety, Ord. No. 184,318, Eff. 7-7-16.

Sec. 10.37.2. Payment of Minimum Compensation to Employees.

(a) **Wages.** An Employer shall pay an Employee for all hours worked on a City contract a wage of no less than the hourly rates set under the authority of this article.

(1) On July 1, 2016, Employee wages shall be no less than $11.27 per hour with health benefits and no less than $12.52 per hour without health benefits. On July 1, 2016, the wage for Airport Employees shall be no less than $11.68 with health benefits and no less than $16.73 without health benefits. On July 1, 2017, the wage for Airport Employees shall be no less than $12.08 per hour with health benefits and no less than $17.26 without health benefits, unless the annual increase provided in Section 10.37.2(a)(2) is higher. On July 1, 2018, the annual increase will continue as provided in Section 10.37.2(a)(2).

(2) 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 LACERS Board of Administration under Section 4.1022. The City Administrative Officer 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 on July 1 of each year.

(3) An Employer may not use tips or gratuities earned by an Employee to offset the wages required under this article.

(4) Regulations promulgated by the DAA shall establish the framework and procedures for payment of wages.

(b) **Compensated Time Off.** An Employer shall provide at least 96 compensated hours off per year for sick leave, vacation or personal necessity at the Employee's request. An Employer may not unreasonably deny an Employee's request to use the accrued compensated time off. The DAA, through regulations, will determine what is unreasonable.

(1) A full-time Employee is someone who works at least 40 hours a week or in accordance with the Employer's policy, if the Employer's established policy is overall more generous.

(2) A part-time Employee must accrue compensated hours off in increments proportional to that accrued by someone who works 40 hours a week.

(3) **General Rules for Compensated Time Off.**

(i) An Employee must be eligible to use accrued paid compensated time off after the first 90 days of employment or consistent with company policies, whichever is sooner.

(ii) An Employer may not unreasonably deny an Employee's request to use the accrued compensated time off. The DAA, through regulations, will determine what is unreasonable.

(iii) The DAA may allow an Employer's established compensated time off policy to remain in place even though it does not meet these requirements, if the DAA determines that the Employer's established policy is overall more generous.

(iv) Unused accrued compensated time off will carry over until time off reaches a maximum of 192 hours, unless the Employer's established policy is overall more generous.

(v) After an Employee reaches the maximum accrued compensated time off, an Employer shall provide a cash payment once every 30 days for accrued compensated time off over the maximum. An Employer may provide an Employee with the option of cashing out any portion of, or all of, the Employee's accrued compensated time off, but, an Employer shall not require an Employee to cash out any accrued compensated time off. Compensated time off cashed out shall be paid to the Employee at the wage rate that the Employee is earning at the time of cash out.

(vi) An Employer may not implement any unreasonable employment policy to count accrued compensated time off taken under this article as an absence that may result in discipline, discharge, suspension or any other adverse action.

(vii) Regulations promulgated by the DAA shall establish the framework and procedures for calculations of compensated time off.

(c) **Uncompensated Time Off.** Employers shall also permit full-time Employees to take at least 80 additional hours per 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 time off for that year.

(1) A full-time Employee is someone who works at least 40 hours a week or in accordance with the Employer's policy, if the Employer's established policy is overall more generous.

(2) A part-time Employee must accrue uncompensated hours off in increments proportional to that accrued by someone who works 40 hours a week.

(3) **General Rules for Uncompensated Time Off.**

(i) An Employee must be eligible to use accrued uncompensated time off after the first 90 days of employment or consistent with company policies, whichever is sooner.

(ii) An Employer may not unreasonably deny an Employee's request to use the accrued uncompensated time off. The DAA, through regulations, will determine what is unreasonable.

(iii) Unused accrued uncompensated time off will carry over until the time off reaches a maximum of 80 hours, unless the Employer's established policy is overall more generous.

(iv) An Employer may not implement any unreasonable employment policy to count accrued uncompensated time off taken under this article as an absence that may result in discipline, discharge, suspension or any other adverse action.

(v) Regulations promulgated by the DAA shall establish the framework and procedures for calculations of uncompensated time off.

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; In Entirety, Ord. No. 184,318, Eff. 7-7-16.

Sec. 10.37.3. Health Benefits.

(a) **Health Benefits.** The health benefits required by this article shall consist of the payment by an Employer of at least $1.25 per hour to Employees towards the provision of health care benefits for Employees and their dependents. On July 1, 2016, the health benefit rate for Airport Employees shall be $5.05 per hour. On July 1, 2017, the health benefit rate for Airport Employees shall be at least $5.18 per hour, unless the annual increase provided in Section 10.37.3(a)(5) is higher. On July 1, 2018, the annual increase will continue as provided in Section 10.37.3(a)(5).

(1) Proof of the provision of such benefits must be submitted to the Awarding Authority to qualify for the wage rate in Section 10.37.2(a) for Employees with health benefits.

(2) Health benefits include health coverage, dental, vision, mental health and disability income. For purposes of this article, retirement benefits, accidental death and dismemberment insurance, life insurance and other benefits that do not provide medical or health related coverage will not be credited toward the cost of providing Employees with health benefits.

(3) If the Employer's hourly health benefit payment is less than that required under this article, the difference shall be paid to the Employee's hourly wage.

(4) Health benefits are not required to be paid on overtime hours.

(5) Consistent with and as shall be reflected in the hourly rates payable to an Airport Employee as provided in 10.37.2(a) above, the amount of payment for health benefits by an Airport Employer 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 LACERS Board of Administration under Section 4.1022. The City Administrative Officer 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 on July 1 of each year.

(6) Regulations promulgated by the DAA shall establish any framework and procedures associated with the administration of this article.

(b) **Periodic Review.** At least once every three years, the City Administrative Officer shall review the health benefit payment by Airport Employers set forth in Section 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; In Entirety, Ord. No. 184,318, Eff. 7-7-16.

Sec. 10.37.4. Employer Reporting and Notification Requirements.

(a) An Employer shall post in a prominent place in an area frequented by Employees a copy of the Living Wage Poster and the Notice Regarding Retaliation, both available from the DAA.

(b) An Employer shall inform an Employee of their possible right to the federal Earned Income Credit (EIC)

under Section 32 of the Internal Revenue Code of 1954, 26 U.S.C. § 32, and shall make available to an Employee forms informing them about the EIC and forms required to secure advance EIC payments from the Employer.

(c) An Employer is required to retain payroll records pertaining to its Employees for a period of at least four years, unless more than four years of retention is specified elsewhere in the contract or required by law.

(d) Contractors, public lessees and licensees, and City Financial Assistant Recipients are responsible for notifying all Subcontractors, sublessees, and sublicensees of their obligation under this article and requiring compliance with this article. Failure to comply shall be a material breach of the contract.

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. 184,318, Eff. 7-7-16.

Sec. 10.37.5. Retaliation Prohibited.

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

SECTION HISTORY

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. 184,318, Eff. 7-7-16.

Sec. 10.37.6. Enforcement.

(a) An Employee claiming violation of this article may bring an action in the Superior Court of the State of California against an Employer and may be awarded:

(1) For failure to pay wages required by this article, back pay shall be paid for each day during which the violation occurred.

(2) For failure to comply with health benefits requirements pursuant to this article, the Employee shall be paid the differential between the wage required by this article without health benefits and such wage with health benefits, less amounts paid, if any, toward health benefits.

(3) For retaliation the Employee shall receive reinstatement, back pay or other equitable relief the court may deem appropriate.

(4) For Willful Violations, the amount of monies to be paid under Subsections (1) - (3), above, 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 prevails and obtains a court determination that the Employee's lawsuit was frivolous.

(c) Compliance with this article shall be required in all City contracts to which it applies. Contracts shall provide that violation of this article shall constitute a material breach thereof and entitle the Awarding Authority to terminate the contract and otherwise pursue legal remedies that may be available. Contracts shall also include an agreement that the Employer shall comply with federal law proscribing retaliation for union organizing.

(d) The DAA may audit an Employer at any time to verify compliance. Failure by the Employer to cooperate with the DAA's administrative and enforcement actions, including, but not limited to, requests for information or documentation to verify compliance with this article, may result in a DAA determination that the Employer has violated this article.

(e) An Employee claiming violation of this article may report the claimed violation to the DAA, which shall determine whether this article applies to the claimed violation.

(1) If the claimed violation is valid, the DAA will perform an audit the scope of which will not exceed four years from the date the complaint was received.

(2) If the claimed violation is filed after a contract has expired, and information needed for the review is no longer readily available, the DAA may determine this article no longer applies.

(3) In the event of a claimed violation of requirements relating to compensated time off, uncompensated time off or wages, the DAA may require the Employer to calculate the amount the Employee should have earned and compensate the Employee. Nothing shall limit the DAA's authority to evaluate the calculation.

(i) If the DAA determines that an Employer is in violation of Section 10.37.2(b), the time owed must be made available immediately. At the Employer's option, retroactive compensated time off in excess of 192 hours may be paid to the Employee at the current hourly wage rate.

(ii) If the DAA determines that an Employer is in violation of Section 10.37.2(c), the Employer shall calculate the amount of uncompensated time off that the Employee should have accrued. This time will be added to the uncompensated time off currently available to the Employee and must be available immediately.

(f) 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 days or other time period determined appropriate by the DAA.

(g) In the event the Employer has not demonstrated to the DAA within such period that it has cured the 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: (i) termination of the Service Contract, Public Lease or License, or financial assistance agreement; (ii) the return of monies paid by the City for services not yet rendered; and (iii) the return to the City of money held in retention (or other money payable on account of work performed by the Employer) when the DAA has documented the Employer's liability for unpaid wages, health benefits or compensated time off.

(2) Request the Awarding Authority to declare the Employer non-responsible from future City contracts, leases and licenses in accordance with the Contractor Responsibility Ordinance (LAAC Section 10.40 *et seq.*) and institute proceedings in a manner that is consistent with law.

(3) Impose a fine payable to the City in the amount of up to $100 for each violation for each day the violation remains uncured.

(4) Exercise any other remedies available at law or in equity.

(h) Notwithstanding any provision of this Code or any other law 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; In Entirety, Ord. No. 184,318, Eff. 7-7-16.

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(m), and that particular leases and licenses shall be regarded as "Public Leases" or "Public Licenses" for purposes of Section 10.37.1(l), when it receives an application for a determination of non-coverage or exemption as provided for in Section 10.37.14 and 10.37.15.

The DAA may require an Awarding Authority to inform the DAA about all contracts in the manner described by regulation. 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 City Administrative Officer and the Chief Legislative Analyst shall conduct or commission an evaluation of this article's operation and effects. The evaluation shall specifically address at least the following matters:

(a) how extensively affected Employers are complying with the article;

(b) how the article is affecting the workforce composition of affected Employers;

(c) how the article is affecting productivity and service quality of affected Employers;

(d) how the additional costs of the article have been distributed among Employees, their Employers and the City.

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; In Entirety, Ord. No. 184,318, Eff. 7-7-16.

Sec. 10.37.8. City is a Third Party Beneficiary of Contracts Between an Employer and Subcontractor for Purposes of Enforcement.

Any contract an Employer executes with a Subcontractor, as defined in Section 10.37.1(n), shall contain a provision wherein the Subcontractor agrees to comply with this article and designates the City as an intended third party beneficiary for purposes of enforcement directly against the Subcontractor, as provided for in Section 10.37.6, 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; Ord. No. 173,285, Eff. 6-26-00, Oper. 7-1-00; In Entirety, Ord. No. 184,318, Eff. 7-7-16.

Sec. 10.37.9. Coexistence with Other Available Relief for Specific Deprivations of Protected Rights.

This article shall not be construed to limit an Employee's right to bring legal action for violation of other minimum compensation laws.

SECTION HISTORY

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. 184,318, Eff. 7-7-16.

Sec. 10.37.10. Expenditures Covered.

This article shall apply to the expenditure - whether through aid to City Financial Assistance 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

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. 184,318, Eff. 7-7-16.

Sec. 10.37.11. Timing of Application.

The provisions of this article shall become operative 90 days following the effective date of the ordinance and are not retroactive.

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; In Entirety, Ord. No. 184,318, Eff. 7-7-16.

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. An Employer seeking supersession must submit the required documentation to the DAA.

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. 184,318, Eff. 7-7-16.

Sec. 10.37.13. Liberal Interpretation of Coverage; Rebuttable Presumption of Coverage.

The definitions of "**City Financial Assistance Recipient**" in Section 10.37.1(f), of "**Public Lease or License**" in Section 10.37.1(l), and of "**Service Contract**" in Section 10.37.1(m) shall be liberally interpreted so as to

further the policy objectives of this article. All City Financial Assistance Recipients meeting the monetary thresholds of Section 10.37.1(f), all City leases and licenses (including subleases and sublicenses) where the City is the lessor or licensor, and all City contracts providing for services shall be presumed to meet the corresponding definition mentioned above, 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; In Entirety, Ord. No. 184,318, Eff. 7-7-16.

Sec. 10.37.14. Contracts, Employers and Employees Not Subject to this Article.

The following contracts are not subject to the Living Wage Ordinance. An Awarding Authority, after consulting with the DAA, may determine whether contracts and/or Employers are not subject to the Living Wage Ordinance due to the following:

(a) a contract where an employee is covered under the Prevailing Wage requirements of Division 2, Part 7, of the California Labor Code unless the total of the Basic Hourly Rate and hourly Health and Welfare payments specified in the Director of Industrial Relations' General Prevailing Wage Determinations are less than, and are not paid more than, the minimum hourly rate as required by Section 10.37.2(a)(1) of this article.

(b) a contract with a governmental entity, including a public educational institution or a public hospital.

(c) a contract for work done directly by a utility company pursuant to an order of the Public Utilities Commission.

SECTION HISTORY

Added by Ord. No. 184,318, Eff. 7-7-16.

Sec. 10.37.15. Exemptions.

Upon the request of an Employer, the DAA may exempt compliance with this article. An Employer seeking an exemption must submit the required documentation to the DAA for approval before the exemption takes effect.

(a) **Small Business.** A Public Lessee or Licensee shall be exempt from the requirements of this article subject to the following limitations:

(1) The lessee or licensee employs no more than seven people total on and off City property. A lessee or licensee shall be deemed to employ no more than seven people if the company's entire workforce worked an average of no more than 1,214 hours per month for at least three-fourths of the previous calendar year;

(2) To qualify for this exemption, the lessee or licensee must provide proof of the number of people it employs in the company's entire workforce to the Awarding Authority as required by regulation;

(3) Public Leases and Licenses shall be deemed to include public subleases and sublicenses; and

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

(b) **Non-Profit Organizations.** Corporations organized under Section 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 times the lowest wage paid by the corporation, shall be exempted as to all Employees other than child care workers. The Employer must submit documentation to the DAA.

(c) **Students.** High school and college students employed in a work study or employment program lasting less than three months shall be exempt. Other students participating in a work-study program shall be exempt if the Employer can verify to the DAA that:

(1) The program involves work/training for class or college credit and student participation in the work-study program is for a limited duration, with definite start and end dates; or

(2) The student mutually agrees with the Employer to accept a wage below this article's requirements based on a training component desired by the student.

(d) Nothing in this article shall limit the right of the City Council to waive the provisions herein.

(e) Nothing in this article shall limit the right of the DAA to waive the provisions herein with respect to and at the request of an individual Employee who is eligible for benefits under a health plan in which the Employee's spouse, domestic partner or parent is a participant or subscriber to another health plan. An Employee who receives this waiver shall not be entitled to the hourly rate without health benefits pursuant to Section 10.37.2.

SECTION HISTORY

Added by Ord. No. 184,318, Eff. 7-7-16.

Sec. 10.37.16. Severability.

If any subsection, sentence, clause or phrase of this article is for any reason held to be invalid or unconstitutional by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have adopted this section, and each and every subsection, sentence, clause and phrase thereof not declared invalid or unconstitutional, without regard to whether any portion of the ordinance would be subsequently declared invalid or unconstitutional.

SECTION HISTORY

Added by Ord. No. 172,336, Eff. 1-14-99.
Amended by: In Entirety, Ord. No. 184,318, Eff. 7-7-16.

CHAPTER 1, ARTICLE 10

SERVICE CONTRACTOR WORKER RETENTION

Section

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 also provides financial assistance and funding to other firms for the purpose of economic development or job growth. At the conclusion of the term of a service contract with the City or with those receiving financial assistance from the City, a different firm often receives the successor contract to perform the City services.

The City obtains benefits achieved through the competitive 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 invaluable existing knowledge and experience with the work schedules, practices and clients. Replacing these workers with workers without these experiences decreases efficiency and results in a disservice to the City and City financed or assisted projects.

Retaining existing service workers when a change in contractor 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 City constituents and visitors who receive services provided by the City or by City financed or assisted projects.

Contracting decisions involving the expenditure of City funds should avoid a 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; In Entirely, Ord. No. 184,293, Eff. 6-27-16.

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 City 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.

(c) **"City Financial Assistance Recipient"** means any person who receives from the City in any 12-month period discrete financial assistance for economic development or job growth expressly articulated and identified by the City totaling at least $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 $5,000,000, or that regularly employ homeless persons, persons who are chronically unemployed, or persons receiving public assistance, shall be exempt.

CHAPTER 1, ARTICLE 9

BID PREFERENCES

Sec. 10.35. Bid Preference Based on Location of Firm.

Section 371(a) of the City Charter authorizes bid preferences based on the geographical location of a bidder. Only the Council shall grant such preference and no preference shall be granted other than for the award of the contracts for the automated refuse collection containers. The Council, in determining the particular geographical area, be it within the State of California or County of Los Angeles, or any sub-area thereof, in which a business needs to be located, or agree to locate, in order to qualify for a bid preference, shall state the reason for such determination. The Council shall further determine the nature and extent of such preference. The adoption of this section shall be deemed authorization for any action by the City Council granting such preference. What constitutes the locating of a business within the geographical area, as to the award of a particular contract, shall also be determined by the City Council.

SECTION HISTORY

Added by Ord. No. 168,236, Eff. 10-16-92.
Amended by: Ord. No. 173,285, Eff. 6-26-00, Oper. 7-1-00.

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 at market rate shall not be regarded as financial assistance. The forgiveness of a loan shall be regarded as financial assistance. A loan shall be regarded as financial assistance to the extent of any differential between the amount of the loan and the present value of the payments thereunder, discounted over the life of the loan by the applicable federal rate as used in 26 U.S.C. §§ 1274(d) and 7872(f). A recipient shall not be deemed to include lessees and sublessees. Service Contracts for economic development or job growth shall be deemed providing 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. Governmental entities, including public educational institutions and public hospitals, are not Contractors and are not subject to this article.

(e) "**Designated Administrative Agency (DAA)**" means the Department of Public Works, Bureau of Contract Administration, which shall bear administrative responsibilities under this article.

(f) "**Employee**" means any person employed as a service Employee of a Contractor or Subcontractor earning no more than twice the hourly wage without health benefits available under the Living Wage Ordinance, Los Angeles Administrative Code Section 10.37 *et seq.*, whose primary place of employment is in the City on or under the authority of a Service Contract. Examples of Employee includes: 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. Employee does not include a person who is a managerial, supervisory or confidential Employee. An Employee must have been employed by a terminated Contractor for the preceding 12 months or longer.

(g) "**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.

(h) "**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 City Financial Assistance Recipient (as opposed to the purchase of goods or other property) and that involves an expenditure or receipt in excess of $25,000 and a contract term of at least three months.

(i) "**Subcontractor**" means any person not an Employee who enters into a contract with a Contractor to assist the Contractor in performing a Service Contract and who employs Employees for such purpose.

(j) "**Successor Service Contract**" means a Service Contract where the services to be performed are substantially similar to the Service Contract recently terminated. Termination includes, but is not limited to: (1) the completion of the Service Contract; (2) early termination of the Service Contract in whole or in part; and (3) an amendment that reduces services provided under the Service Contract, in whole or in part.

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; Subsec. (j) added, Ord. No. 176,155, Eff. 9-22-04; Subsec. (j), Ord. No. 176,283, Eff. 12-25-04, Oper. 9-22-04; In Entirety, Ord. No. 184,293, Eff. 6-27-16.

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 Contractor has given notice of termination, upon receiving or giving the notice the terminated Contractor shall within ten days thereafter provide to the Contractor with a Successor Service Contract 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 Contractor with a Successor Service Contract, 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-day period, the employment information referred

to earlier in this subsection shall be provided to the Awarding Authority. 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 under multiple Service Contracts, the Awarding Authority shall pool the Employees, ordered by seniority within job classification, under the prior contracts. The successor Contractor shall provide written notice to the Awarding Authority and the DAA that the Awarding Authority's pool list will be used. The notice must include the following:

(A) the reason why pooling is necessary;

(B) the total number of Employees required under the Successor Service Contract;

(C) a breakdown of the number of Employees required within each job classification and seniority within each class; and

(D) an indication as to which Employees within each job classification shall be offered employment under this article.

The written notice must be provided no later than ten days after the successor Contractor receives the listing of the terminated Contractor's Employees. The DAA shall notify the successor Contractor whether pooling will be permitted.

(2) Where the use of Subcontractors has occurred under the terminated Service Contract or where the use of Subcontractors is to be permitted under the Successor Service Contract, or where both circumstances arise, the Awarding Authority shall pool, when applicable, the Employees, ordered by seniority within job classification, under such prior Service Contracts or subcontracts where required by, and in accordance with, rules authorized by this article. The successor Contractor or Subcontractor shall provide written notice to the Awarding Authority and the DAA that the Awarding Authority's pool list will be used. The DAA shall notify the successor Contractor or Subcontractor whether pooling will be permitted.

(b) If work-related requirements for a particular job classification under the Successor Service Contract differ from the terminated Service Contract, the successor Contractor (or Subcontractor, where applicable) shall give notice to the Awarding Authority and the DAA and provide an explanation including:

(1) the different work-related requirements needed; and

(2) the reason why the different work-related requirements are necessary for the Successor Service Contract.

(c) Within ten days of receipt of the list of Employees from the terminated Contractor, the Successor Contractor shall make written offers for a 90-day transition employment period to the eligible Employees by letters sent certified mail. The letters shall ask an Employee to return the offers to the successor Contractor with the Employee's signature indicating acceptance or rejection of the offer of employment. The letters should state that if an Employee fails to return a written acceptance of the offer within ten days of the date of mailing of the successor Contractor's certified letter, then the Employee will be presumed to have declined the offer.

The successor Contractor shall provide copies of the letters offering employment to the Awarding Authority and proof of mailing.

(d) A successor Contractor shall retain Employees for a 90-day transition employment period. Where pooling of Employees has occurred, the successor Contractor shall draw from such pools in accordance with rules established under this article. During such 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.

(e) If at any time 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. The successor Contractor shall give notice to the Awarding Authority and the DAA and provide an explanation including:

(1) the reason that fewer Employees will be needed;

(2) the total number of Employees required under the Successor Service Contract;

(3) a breakdown of the number of Employees required within each job classification;

(4) a listing of the terminated Contractor's Employees by job classification and seniority within each class; and

(5) an indication as to which Employees within each job classification shall be offered employment under this article.

The notice must be provided no later than ten days after the successor Contractor receives the list of the terminated Contractor's Employees pursuant to Section 10.36.2(a).

Letters offering employment shall be made by seniority within each job classification. If an Employee in a job classification declines an offer of employment or fails to respond within ten days pursuant to Section 10.36.2(a), the successor Contractor shall issue a letter offering employment to the next Employee in that job classification. The successor Contractor shall continue to offer employment in this manner until all required positions are filled for the Successor Service Contract or until all Employees have been offered employment.

(f) During such 90-day transition employment 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, if needed.

(g) During such 90-day transition employment 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 definition in California Labor Code Section 2924.

(h) At the end of such 90-day transition employment 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 90-day period is satisfactory, the successor Contractor (or Subcontractor) shall offer the Employee continued employment under terms and conditions established by the successor Contractor (or Subcontractor) or as required by law.

(i) 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 City Financial Assistance Recipient's own service Employees, the City or the City Financial Assistance Recipient shall be deemed to be a terminated Contractor within the meaning of this article and the Contractor under the Service Contract shall be deemed to be a Contractor with a Successor Service Contract within the meaning 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; Subsec. (g) added, Ord. No. 172,349, Eff. 1-29-99; In Entirety, Ord. No. 184,293, Eff. 6-27-16.

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 Superior Court of the State of California 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 three 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 the 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) If the DAA determines that a Contractor or Subcontractor violated this article, the DAA may recommend that the Awarding Authority take any or all of the following actions:

(1) Document the determination in the Awarding Authority's Contractor Evaluation required under Los Angeles Administrative Code Section 10.39 *et seq.*;

(2) Require that the Contractor or Subcontractor document the determination in each of the Contractor's or Subcontractor's subsequent Contractor Responsibility Questionnaires submitted under Los Angeles Administrative Section 10.40 *et seq.*;

(3) Terminate the Service Contract; or

(4) Recommend to the Awarding Authority to withhold payments due to the Contractor or Subcontractor.

(e) Notwithstanding any provision of this Code or any other law 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; In Entirety, Ord. No. 184,293, Eff. 6-27-16.

Sec. 10.36.4. Exemption for Contractor or Contractor's Prior Employees.

(a) 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 12 months prior to the commencement of the Successor Service Contract who is proposed to work on the Successor Service Contract as an Employee in a capacity similar to the 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 Service Contract. Once a person so exempted commences work under a Successor Service Contract, he or she shall be deemed an Employee as defined in this article.

(b) Nothing in this article shall limit the right of the DAA to waive the provisions herein with respect to a Contractor if it finds it is not in the best interest of the City.

SECTION HISTORY

Added by Ord. No. 170,784, Eff. 1-13-96.
Amended by: Ord. No. 171,004, Eff. 5-18-96; In Entirety, Ord. No. 184,293, Eff. 6-27-16.

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; In Entirety, Ord. No. 184,293, Eff. 6-27-16.

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 City 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 with Section 10.36.2(i) and by contractually requiring their Contractors with Service Contracts 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; In Entirety, Ord. No. 184,293, Eff. 6-27-16.

Sec. 10.36.7. Promulgation of Implementing Rules.

The DAA 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.
Amended by: Ord. No. 176,155, Eff. 9-22-04; Ord. No. 176,283, Eff. 12-25-04, Oper. 9-22-04; In Entirety, Ord. No. 184,293, Eff. 6-27-16.

Sec. 10.36.8. Severability.

If any subsection, sentence, clause or phrase of this article is for any reason held to be invalid or unconstitutional by a court of competent jurisdiction, such decision shall not

affect the validity of the remaining portions of this ordinance. The City Council hereby declares that it would have adopted this section, and each and every subsection, sentence, clause and phrase thereof not declared invalid or unconstitutional, without regard to whether any portion of the ordinance would be subsequently declared invalid or unconstitutional.

SECTION HISTORY

Added by Ord. No. 171,004, Eff. 5-18-96.
Amended by: In Entirety, Ord. No. 184,293, Eff. 6-27-16.

LOS ANGELES ADMINISTRATIVE CODE

Div. 10, Ch. I, Art. I

EQUAL EMPLOYMENT

Sec. 10.8.3. Equal Employment Practices Provisions.

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

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

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

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

C. As part of the City's supplier registration process, and/or at the request of the awarding authority, or the Board of Public Works, Office of Contract Compliance, the contractor shall certify in the specified format that he or she has not discriminated in the performance of City contracts against any employee or applicant for employment on the basis or because of race, religion, national origin, ancestry, sex, sexual orientation, age, disability, marital status or medical condition.

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

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

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

carry out a program in conformance with the provisions hereof.

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

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

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

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

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

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

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

SECTION HISTORY

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

LOS ANGELES ADMINISTRATIVE CODE

Div. 10, Ch. 1, Art. 1

AFFIRMATIVE ACTION

Sec. 10.8.4. Affirmative Action Program Provisions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

K. The contractor shall submit an Affirmative Action Plan which shall meet the requirements of this chapter at the time it submits its bid or proposal or at the time it registers to do business with the City. The plan shall be subject to approval by the Office of Contract Compliance prior to award of the contract. The awarding authority may also require contractors and suppliers to take part in a pre-registration, pre-bid, pre-proposal, or pre-award conference in order to develop, improve or implement a qualifying Affirmative Action Plan. Affirmative Action Programs developed pursuant to this section shall be effective for a period of twelve months from the date of approval by the Office of Contract Compliance. In case of prior submission of a plan, the contractor may submit documentation that it has an Affirmative Action Plan approved by the Office of Contract Compliance within the previous twelve months. If the approval is 30 days or less from expiration, the contractor must submit a new Plan to the Office of Contract Compliance and that Plan must be approved before the contract is awarded.

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

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

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

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

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

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

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

P. This ordinance shall not confer upon the City of Los Angeles or any Agency, Board or Commission thereof any power not otherwise provided by law to determine the legality of any existing collective bargaining agreement and shall have application only to discriminatory employment practices by contractors or suppliers engaged in the performance of City contracts.

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

SECTION HISTORY

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

ALTERNATIVE FUEL VEHICLE REQUIREMENT PROGRAM
(LAX ONLY)

I. Definitions.

The following capitalized terms shall have the following meanings. All definitions include both the singular and plural form.

"Airport Contract" shall mean a contract awarded by LAWA and pertaining to LAX and subcontracts of any level under such a contract.

"Airport Contractor" shall mean (i) any entity awarded an Airport Contract, and subcontractors of any level working under an Airport Contract; (ii) any contractors that have entered into a contract with an Airport Lessee to perform, work on property owned by LAWA and pertaining to LAX, and any subcontractors working in furtherance of such a contract; and (iii) any contractor that have entered into a contract with an Airport Licensee to perform work pertaining to LAX, and any subcontractors working under such a contract.

"Airport Lessee" shall mean any entity that leases or subleases any property owned by LAWA and pertaining to LAX.

"Airport Lessee" shall mean any entity issued a license or performed by LAWA for operations that pertain to LAX.

"Alternative-Fuel Vehicle shall mean a vehicle that is not powered by petroleum- derived gasoline or diesel fuel. Alternative-Fuel Vehicles Include, but are not limited to, vehicles powered by compressed or liquefied natural gas, liquefied petroleum gas, methanol, ethanol, electricity, fuel cells, or other advanced technologies. Vehicles that are powered with a fuel that includes petroleum-derived gasoline or diesel are Alternative-Fuel Vehicles only if the petroleum-derived energy content of the fuel is no more than twenty percent (20%) of the total energy content of the fuel. Vehicles powered by dual fuel technologies are Alternative-Fuel Vehicles only if no more than twenty-percent (20%) of the fuel used by the engine comes from a petroleum-derived fuel. Vehicles powered by fuels that are derived from sources other than petroleum, but that can be used in conventional spark or combustion-ignition engines, are Alternative Fuel Vehicles.

"CARB" shall mean the California Air Resources Board.

"Comparable Emissions Vehicle" shall mean a vehicle powered by an engine certified by CARB operating on petroleum-derived gasoline or diesel fuel that has criteria pollutant emissions less than or equal to a comparable alternative fuel engine.

"Covered Vehicles" is defined in Section II below.

"EPA" shall mean the United States Environmental Protection Agency.

"Independent Third Party Monitor" shall mean a person or entity empowered by LAWA to

monitor compliance with and/or implementation of particular requirements in this policy,

"LAWA" shall mean Los Angeles World Airports.

"LAX" shall mean Los Angeles International Airport.

"Least-Polluting Available Vehicle" shall mean a vehicle that (i) is determined by an Independent Third Party Monitor to be (x) commercially available, (y) suitable for performance of a particular task, and (z) certified by CARB or EPA to meet the applicable engines emission standard in effect at the time of purchase; and (ii) is equipped with a retrofit device that reduces NOx emissions by at least twenty-five percent (25%) and reduces particulate matter by at least eighty-five percent (85%). Where more than one vehicle meets these requirements for a particular task, LAWA, working with the Independent Third Party Monitor, will designate as the Least-Polluting Available Vehicle the vehicle that emits the least amount of criteria air pollutants.

"Operator" shall mean any Airport Contractor, Airport Lessee, or Airport Licensee,

II. **Covered Vehicles.** The requirements under this Attachment shall apply to all on road vehicles, including trucks, shuttles, passenger vans, and buses that are 8,500 lbs. gross vehicle weight rating or more and are used in operations related to LAX.

III. **Conversion Schedule.**

A. By January 31, 2010, fifty percent (50%) of the Covered Vehicles operated by an Operator shall be Alternative-Fuel Vehicles or Comparable Emissions Vehicles.
B. By January 31, 2015, one hundred percent (100%) of the Covered Vehicles operated by an Operator shall be Alternative-Fuel Vehicles or Comparable Emissions Vehicles.

IV. **Least-Polluting Available Vehicles.** In cases where an Operator cannot comply with the requirements established pursuant to Section III above because neither Alternative-Fuel Vehicles nor Comparable Emissions Vehicles are commercially available for performance of particular tasks, LAWA will instead require Operators to use Least-Polluting Available Vehicles for such tasks. An Independent Third Party Monitor will determine on an annual basis whether Alternative-Fuel Vehicles or Comparable Emissions Vehicles are commercially available to perform particular tasks, and, in cases where Alternative-Fuel Vehicles are not commercially available for performance of a particular task, will identify the Least-Polluting Available Vehicle for performance of that task.

V. **Written Reports**. Operator shall complete and submit to LAWA the vehicle information required on the reporting form accessible on-line at https://online.lawa.org/altfuel/ on a semi-annual basis. The reporting form may be amended from time to time by LAWA.