

Airline Use and Lease Agreement

For

Corpus Christi International Airport

BY AND BETWEEN

THE CITY OF CORPUS CHRISTI

AND

SOUTHWEST AIRLINES CO.

AUGUST 1, 2009

CITY OF CORPUS CHRISTI
AVIATION DEPARTMENT

JUL 14 2009

DAVID L. BROWN
CITY MANAGER

TABLE OF CONTENTS

<u>Article</u>	<u>Title</u>	<u>Page</u>
1.	DEFINITIONS	2
2.	EFFECTIVE DATE	8
	2.01 Effective Date	8
	2.02 Cancellation of Prior Agreements	8
3.	TERM	8
4.	PREMISES	8
	4.01 AIRLINE's Leased Premises	8
	4.02 Employee Parking	9
	4.03 Federal Inspection Services	9
5.	USE, OPERATION AND MAINTENANCE OF THE AIRPORT AND RELATED FACILITIES	9
	5.01 AIRLINE Rights and Privileges	9
	5.02 Exclusions and Reservations	12
	5.03 CITY's Operation and Maintenance Obligations	16
	5.04 AIRLINE's Operation and Maintenance Obligations	17
	5.05 Designation of Operation and Maintenance Responsibilities	18
6.	CAPITAL IMPROVEMENTS	19
	6.01 General	19
	6.02 Grants-In-Aid	19
7.	RENTALS, FEES, AND CHARGES	19
	7.01 Landing Fees	20
	7.02 Terminal Rentals	20
	7.03 Apron Fees	20
	7.04 Joint Use Charges	20
	7.05 Other Fees and Charges	21
	7.06 Payments	22
	7.07 Information to be Supplied by AIRLINE	23
	7.08 Security for Payment	24
	7.09 Passenger Facility Charge	25
	7.10 Capitalized Interest on Bonds	26
	7.11 Continuation of Rent	26
	7.12 No Further Charges	26
<u>Article</u>	<u>Title</u>	<u>Page</u>
	7.13 Charges for Service	27

8.	CHANGES IN RATES FOR RENTALS, FEES, AND CHARGES	27
8.01	Annual Rate Changes	27
8.02	Other Rate Changes	28
8.03	Incorporation of Exhibit "G"	28
8.04	Settlement	28
8.05	CITY Covenants	29
9.	AIRLINE IMPROVEMENTS	29
9.01	AIRLINE Improvements	29
10.	DAMAGE OR DESTRUCTION	31
10.01	Partial Damage	31
10.02	Substantial Damage	31
10.03	Destruction	31
10.04	Damage Caused by AIRLINE	32
10.05	CITY's Responsibilities	32
11.	INDEMNIFICATION AND INSURANCE	32
11.01	Indemnification	32
11.02	Insurance	33
11.03	Waiver of Subrogation	34
12.	CANCELLATION BY CITY	35
12.01	Events of Default	35
12.02	Continuing Responsibilities of AIRLINE	36
12.03	CITY's Remedies	36
13.	CANCELLATION BY AIRLINE	37
13.01	Events of Default	37
13.02	AIRLINE's Remedy	38
14.	SURRENDER OF AIRLINE PREMISES	39
14.01	Surrender and Delivery	39
14.02	Removal of Property	39
14.03	Holding Over	39
15.	ASSIGNMENT AND SUBLETTING AGREEMENTS	39
15.01	Assignment and Subletting by AIRLINE	39
16.	AVAILABILITY OF ADEQUATE FACILITIES	41
<u>Article</u>	<u>Title</u>	<u>Page</u>
16.01	Declaration of Intent	41
16.02	Accommodation of Requesting Airlines	41

17. GOVERNMENT INCLUSION	42
17.01 Government Agreements	42
17.02 Federal Government's Emergency Clause	43
17.03 Nondiscrimination	43
17.04 Security	44
18. GENERAL PROVISIONS	44
18.01 Subordination to Master Bond Ordinance	44
18.02 Non-waiver	45
18.03 Rights Non-Exclusive	45
18.04 Quiet Enjoyment	45
18.05 Performance	46
18.06 Aviation Rights	46
18.07 Rules and Regulations	46
18.08 Inspection	46
18.09 No Individual Liability	47
18.10 Relationship of Parties	47
18.11 Capacity to Execute	47
18.12 Savings	47
18.13 Successors and Assigns Bound	47
18.14 Incorporation of Exhibits	47
18.15 Titles	47
18.16 Severability	47
18.17 Amendments	47
18.18 Most Favored Nations	48
18.19 Other Agreements	48
18.20 Approvals	48
18.21 Notices	48
18.22 Agent for Service	49
18.23 Governing Law	49
18.24 Force Majeure	49
18.25 Entire Agreement	49

LIST OF EXHIBITS

<u>Exhibit</u>	<u>Title</u>	<u>Page</u>
A	Airport Boundaries	
B	AIRLINE'S Leased Premises	
C	Terminal Layout	
D	Designation of Responsibilities for Operation and Maintenance	
E	Monthly Statistical Report	
F	Terminal Equipment	
G	Rates and Charges Model	

THIS AGREEMENT is made and entered into this _____ day of _____, 2009, by and between the City of Corpus Christi, a municipal corporation and political subdivision of the State of Texas, hereinafter referred to as "CITY," and SOUTHWEST AIRLINES CO., a corporation organized and existing under the laws of the State of _____ and authorized to do business in the State of _____, hereinafter referred to as "AIRLINE."

WITNESSETH:

WHEREAS, CITY is the owner of the Corpus Christi International Airport, located in Corpus Christi, Texas, hereinafter referred to as the "Airport";

WHEREAS, CITY is responsible for the operation, maintenance and improvement of the Airport;

WHEREAS, CITY has the right to lease and license the use of property and facilities on the Airport and has full power and authority to enter into this Agreement in respect thereof; and

WHEREAS, AIRLINE is a corporation primarily engaged in the business of scheduled transportation by air of persons, property, mail and/or cargo; and

WHEREAS, AIRLINE desires to obtain certain rights, services and privileges in connection with the use of the Airport and its facilities, and CITY is willing to grant and lease the same to AIRLINE upon the terms and conditions hereinafter stated; and

WHEREAS, the intent of the parties hereto is to enter into an agreement which will more definitively specify the rights and obligations of the parties with respect to the operation of the Airport by CITY and the use and occupancy of Airport by AIRLINE, and this Agreement is responsive to and in accordance with that intent;

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, CITY and AIRLINE do hereby mutually undertake, promise and agree, each for itself and its successors and assigns, as follows:

ARTICLE 1: DEFINITIONS

The following words, terms and phrases wherever used in this Agreement shall for the purposes of this Agreement have the following meanings:

Affiliated Airline shall mean any regional airline that operates flights under the designator code of the Signatory Airline, as designated in writing by such Signatory Airline from time to time. AIRLINE may during the term of this Agreement cancel the designation of an Affiliate Airline with thirty (30) days written notice and will no longer be responsible for the any future obligations of that airline beyond the termination date.

Agreement shall mean this Airline Use and Lease Agreement between CITY and AIRLINE, as the same may be amended or supplemented from time to time pursuant to the terms hereof.

Air Transportation Company shall mean a company engaged in the business of scheduled or non-scheduled commercial transportation by air of persons, property, mail, and/or cargo.

Air Transportation Business shall mean that business operated by AIRLINE at the Airport for the commercial transportation by air of persons, property, mail and/or cargo.

Aircraft Parking Apron shall mean those parts of the Ramp Area immediately adjacent to the Terminal, as designated by the CITY, that are used for the parking of aircraft and support vehicles, and the loading and unloading of aircraft as shown on Exhibit C.

Airfield shall mean the Landing Area and Ramp Area.

AIRLINE shall mean the Scheduled Air Carrier executing this Agreement.

Airport shall mean the Corpus Christi International Airport owned and operated by the CITY, the boundaries of which are more particularly shown on Exhibit "A," attached hereto, including all real property and easements, improvements and appurtenances thereto, structures, buildings, fixtures, machinery, equipment, vehicles, supplies and other tangible personal property, or interest in any of the foregoing, now or hereafter leased or acquired by CITY, less any thereof which may be consumed, sold or otherwise disposed of.

Airport/Airline Affairs Committee (AAAC) shall mean collectively the authorized representatives of each Signatory Airline which shall meet or conduct conference calls from time to time with representatives of the Airport to receive information and provide input from the Signatory Airlines with regard to the planning,

development, operation and financing of the Airport.

Airport Fund shall mean the Airport Operating Fund 4610 for the deposit of all Revenues and payment of all O&M Expenses and any capital expenditures allocated to this fund that are not fully or partially funded Federally, by the State of Texas, or locally..

Airport Requirement means, for any Fiscal Year, the CITY's estimate of the following: (1) Direct and indirect Operating and Maintenance Expenses; (2) Debt Service including coverage requirements but excluding Debt Service paid by other funds; (3) those net amounts funded through the Airport Discretionary Fund amortized over a projected useful life; (4) those amounts required to be deposited during the Fiscal Year to any fund created pursuant to the terms of the Master Bond Ordinance; (5) the net amount of any judgment or settlement arising out of or as a result of the ownership, operation, or maintenance of the Airport or any CITY-owned or operated Airport-related facility payable by the CITY during said Fiscal Year, including, but not limited to, the amount of any such judgment or settlement arising out of or as a result of any claim, action, proceeding or suit alleging a taking of property or an interest in property without just or adequate compensation, trespass, nuisance, property damage, personal injury, or any other claim, action, proceeding, or suit based upon or relative to any environmental impact resulting from the use of the Airport for the landing and taking off of aircraft; and (6) any and all other sums, amounts, charges, or requirements of CITY related to the Airport to be recovered, charged, set aside, expensed, or accounted for during such Fiscal Year under CITY's accounting system or this Agreement; provided, however, that the Airport Requirement shall not include any amounts included in (1) through (6) chargeable to a special facility, as a direct charge as a result of the terms of this Agreement, or a tenant improvement.

Annual Capital Outlay means the Net Capital Cost of an improvement constructed or asset purchased or acquired from the CITY's Airport Discretionary Fund and designated by CITY as an Annual Capital Outlay for any Fiscal Year.

Airport Discretionary Fund shall mean a reserve fund held by the CITY for the payment of Annual Capital Outlays, Capital Improvements for the Airport, or, at the Airport Director's sole discretion, terminal cost center shortfalls in the Airport Requirement.

Aviation System shall mean all real property and easements, including improvements thereto, structures, buildings, fixtures, and other tangible personal property which are located on the Airport as of the Effective Date of this Agreement or which may be hereafter owned or operated by the CITY for

the operation or improvement of the Airport. The expenses and revenues associated with the development and operation of those properties or assets that are constructed on the Airport will not be included in the calculation of Airline rates and charges.

BIDS shall mean Baggage Information Display System.

Bonds shall mean any bonds or other financing instrument or obligation of the CITY, issued for the purposes of improving the Aviation System.

Capital Improvement shall mean the Net Capital Cost to acquire, purchase or construct a single capital item or project from the CITY's Aviation Discretionary Reserve Fund for the purpose(s) of improving, maintaining, or developing the Aviation System including expenses for development, study, analysis, review or planning efforts with a cost more than \$100,000.

Cargo Area shall mean those areas of the Airport, as designated by the CITY, that are used primarily for commercial air cargo.

Cost Centers shall mean those areas or functional activities of the Aviation System as set forth in Exhibit "G" attached hereto, grouped together for the purposes of accounting for Revenues, direct and indirect O&M Expenses, and Capital Charges.

Debt Service shall mean that portion of the Principal and Interest due on debt obligations created by the Master Bond Ordinance No. 024163 and all other Airport debt obligations.

Department of Homeland Security shall mean the department, or its successor, as established by the United States Federal Government to establish and administer transportation security requirements at the Airport.

Deplaned Passenger shall mean any passenger disembarking from an Air Transportation Company aircraft at the Terminal.

Director shall mean the Director of the Department of Aviation and shall include such person or persons as may from time to time be authorized in writing by CITY or by the Director or applicable law to act for the Director with respect to any or all matters pertaining to this Agreement.

Enplaned Passenger shall mean any passenger boarding an Air Transportation Company aircraft at the Terminal, including any such passenger that previously disembarked from any other aircraft of the same or a different Air Transportation Company or from the same aircraft, then operating under a different flight number.

Exclusive Use Premises shall mean those areas assigned exclusively to AIRLINE for its use, as shown on Exhibit "B", attached hereto.

FAA shall mean the Federal Aviation Administration, or its authorized successor(s).

Fiscal Year shall mean the annual accounting period of CITY for its general accounting purposes which, at the time of entering into this Agreement, is the period of twelve consecutive months, beginning with the first day of August of any year.

Joint Use Premises shall mean the baggage claim area, and associated baggage make-up space as shown on Exhibit B, attached, hereto, which all Airlines use and share in the cost for usage.

Joint Use Charges Formula means that formula used to calculate the rates and charges for each category of Joint Use Premises which prorates twenty percent (20%) of the cost or expense of Joint Use Premises equally among all Airlines and their designated Affiliates, and eighty percent (80%) of the cost or expense among such Airlines based on each Airline's, including designated Affiliated Airlines, proportionate share of enplanements.

Landing Area shall mean those portions of the Airport provided for the landing, taking off and taxiing of aircraft, including without limitation, approach and turning zones, navigation or other easements, runways, taxiways, runway and taxiway lights, and other appurtenances in connection therewith.

Leased Premises shall mean collectively, AIRLINE's Exclusive Use Premises, Preferential Use Premises, and Joint Use Premises as shown on Exhibit "B" attached hereto.

Maximum Gross Landed Weight shall mean the maximum certificated gross landing weight, as stated in AIRLINE's flight operations manual, at which each category of aircraft operated at the Airport by AIRLINE is certificated by the FAA.

MUFIDS shall mean Multi-User Flight Information Display System.

Net Capital Cost means the aggregate cost of any Annual Capital Outlay or Capital Improvement less amounts used from the proceeds of: (i) Grants-in-Aid;(ii) PFCs; (iii) Bonds or other similar financing vehicles for which the Debt Service will not be paid from Rentals, Fees, and Charges; or (iv) Bonds for which the Debt Service is to be paid for by PFCs.

Non-Signatory Airline shall mean any Air Transportation Company providing service at the Airport that has not signed this Agreement or a substantially similar agreement.

Operating Reserve Fund shall mean Airport Operating Reserve Fund 4612 for the deposit of funds necessary to satisfy the Operating Reserve Requirement pursuant to the Master Bond Ordinance No. 024163 which shall mean for the current Fiscal Year, one-sixth (1/6) of the estimated total O&M Expenses for the current Fiscal Year as set forth in the current annual budget.

Operation and Maintenance Expenses (sometimes abbreviated as "O&M Expenses") means, for any Fiscal Year, the costs incurred by the CITY in operating and maintaining the Airport during such Fiscal Year, either directly or indirectly, whether similar or dissimilar, which under generally accepted accounting principles, are properly chargeable as expenses to the Airport, including expenses allocated to the Airport by CITY in accordance with practices and procedures of the CITY in accordance with the adopted budget, as may be revised by the CITY, and taxes payable by CITY which may be lawfully imposed upon the Airport by entities other than the CITY.

Per Use Charge shall mean the commensurate facility use charge in lieu of Exclusive Space rent and Joint Use charges assessed to Airline for the use of the baggage make up, Joint Use holdroom and associated apron, and baggage claim. Airlines who sign this Agreement may designate a per Use Charge alternative in the Premises section of Exhibit "G" for use of facilities on a Per Use Charge basis which will represent an equivalent value that will be established annually by the Lessee. If Airline chooses to operate under this Agreement under the Per Use Charge terms, the Airline will be required to pay in accordance with the terms outlined in Article 7.

Preferential Use Premises shall mean those portions of the Terminal and Ramp Area assigned to AIRLINE, as shown on Exhibits "B" and "C", attached hereto, to which AIRLINE shall have priority over all other users, subject to the provisions of Article 16.

Ramp Area shall mean the aircraft parking and maneuvering areas adjacent to the Terminal, and shall

include within its boundaries all Aircraft Parking Aprons and ground service equipment storage and staging as shown on Exhibit "C".

Rentals, Fees, and Charges means the Rentals, Fees, and Charges payable by AIRLINE pursuant to Article 7.

Revenue Landing shall mean any aircraft landing by AIRLINE at the Airport for which AIRLINE makes a charge or for which revenue is derived for the transportation by air of persons, property or mail, but Revenue Landings shall not include any landing of an aircraft which, after having taken off from Airport and without making a landing at any other airport, returns to land at Airport because of meteorological conditions, mechanical or operating causes, medical reasons, or any other reason of emergency or precaution.

Revenues shall mean income accrued by the CITY in accordance with generally accepted accounting practices, including investment earnings, from or in connection with the ownership or operation of the Aviation System or any part thereof, or the leasing or use thereof but specifically excluding: (a) non-operating income (or receipts) from the sale of assets or insurance claims, (b) federal, state or local grants-in-aid or reimbursements, (c) PFCs, (d) one-time bonus payments from lessors.

Scheduled Air Carrier shall mean any Air Transportation Company performing or desiring to perform, pursuant to published schedules, commercial air transportation services over specified routes to and from the Airport and holding the necessary authority from the appropriate Federal or state agencies to provide such transportation.

Signatory Airline shall mean an Air Transportation Company that executed this Agreement, or a substantially similar agreement. The Signatory Airline executing the Agreement will be responsible for all payments due to Airport for its designated Affiliated Airlines.

Term shall mean the period of time during which AIRLINE activities at the Airport shall be governed by this Agreement, except as otherwise set forth herein. Said Term shall begin on the Effective Date and, except as otherwise set forth herein, terminate on the date set forth in Article 3 or as otherwise provided herein.

Terminal shall mean the airline passenger terminal building owned and operated by CITY at the Airport, as shown on Exhibit "C", attached hereto.

Additional words and phrases used in this Agreement but not defined herein shall have their usual and customary meaning.

ARTICLE 2: EFFECTIVE DATE

2.01 Effective Date. The Effective Date of this Agreement is August 1, 2009.

2.02 Cancellation of Prior Agreements. On the Effective Date, all existing Airport Use and Lease Agreements between AIRLINE and CITY shall terminate.

ARTICLE 3: TERM

This Agreement shall begin on the Effective Date set forth in Article 2 and shall terminate at midnight on July 31, 2014 subject to earlier termination as herein provided.

ARTICLE 4: PREMISES

4.01 AIRLINE's Leased Premises.

A. CITY does hereby lease and demise to AIRLINE, and AIRLINE does hereby lease and accept from CITY, Exclusive Use Premises, Preferential Use Premises, and Joint Use Premises (in the event such premises are created in the future and shown on a revised Exhibit "B") as set forth in Exhibit "C".

B. Except as provided in 4.01.C below, any changes to AIRLINE's Exclusive Use Premises, made after approval and submission of "as-built" drawings, shall be evidenced by an amendment to this Agreement pursuant to Section 18.17.

C. In the event that changes to Exhibit "B" are made to reflect changes in the leased premises of others, or to reflect other space changes not inconsistent with the provisions of this Agreement, then in such event said revised exhibits may be substituted herein without the necessity for amendment of this Agreement.

D. Included in AIRLINE's Leased Premises is Terminal Equipment as set forth in Exhibit "F" attached hereto and made a part hereof. Terminal Equipment owned or acquired by CITY for use by AIRLINE in AIRLINE's Leased Premises shall remain the property, maintained by CITY, and under the control, of CITY.

4.02 Employee Parking. CITY will make available area(s) at the Airport, in reasonable proximity to the terminal building, vehicular parking for personnel of AIRLINE employed at the Terminal, in conjunction with other Airport employees; provided, however, such area(s) shall not be used for the storage of vehicles or trailers. The CITY reserves the right to establish and charge a reasonable parking fee for all Employee Parking.

4.03 Federal Inspection Services Areas. CITY may designate areas in the Terminal, or elsewhere on the Airport, to be used by agencies of the United States Government for the inspection of passengers and their baggage, and for the exercise of the responsibilities of said agencies with respect to the movement of persons and property to and from the United States. Such areas shall not be considered a part of the AIRLINE's Leased Premises. CITY reserves the right to establish a fee for use of the areas by AIRLINE.

ARTICLE 5: USE, OPERATION AND MAINTENANCE OF THE AIRPORT AND RELATED FACILITIES

5.01 AIRLINE Rights and Privileges. Subject to the terms of this Agreement, AIRLINE shall have the right to conduct AIRLINE's Air Transportation Business at the Airport and to perform the following operations and functions as are reasonably necessary to the conduct of such business at the Airport:

A. The landing, taking off, flying over, taxiing, towing, and conditioning of AIRLINE's aircraft and, in areas designated by CITY, the extended parking, servicing, loading or unloading, storage or maintenance of AIRLINE's aircraft and support equipment subject to Paragraphs 5.01F., 5.01G., and 5.02 C., to the availability of space, and to such reasonable charges and regulations as CITY may establish; provided, however, AIRLINE shall not permit the use of the Airfield by any aircraft operated or controlled by AIRLINE which exceeds the load bearing design strength or capability of the Airfield as described in the then-current FAA-approved Airport Layout Plan (ALP) or other engineering evaluations performed subsequent to the then-current ALP, including the then-current Airport Certification Manual.

B. The sale of air transportation tickets and services, the processing of passengers and their baggage for air travel, and the sale, handling, and providing of mail, freight and express services.

C. The training of personnel in the employ of or to be employed by AIRLINE and the testing of aircraft and other equipment being utilized at the Airport in the operation of AIRLINE's Air Transportation Business; provided, however, said training and testing shall be incidental to the use of the Airport in the operation by AIRLINE of its Air Transportation Business and shall not unreasonably hamper or interfere with the use of the Airport and its facilities by others entitled to the use of same. The CITY reserves the right to restrict or prohibit such training and testing operations as it deems interferes with the use of the Airport.

D. The sale, disposition or exchange of AIRLINE's aircraft, engines, accessories, gasoline, oil, grease, lubricants, fuel or other similar equipment or supplies; provided, however, AIRLINE shall not sell aviation fuels or propellants except (i) to such Air Transportation Company which is a successor company to AIRLINE, (ii) an Air Transportation Company which is a wholly owned subsidiary or designated Affiliated Airline of AIRLINE or (iii) when a comparable grade and type of fuel desired by others is not available at the Airport except from AIRLINE. AIRLINE may not sell, dispose of or exchange new or used gasoline, oil, greases, lubricants, fuel or other propellants unless disposed of in a manner meeting all local, state, and federal regulations for those products requiring disposal due to routine maintenance.

E. The purchase at the Airport or elsewhere, of fuels, lubricants and any other supplies and services, from any person or company, shall be subject to Paragraph 5.0 D. and to the CITY's right to require that each provider of services and/or supplies to AIRLINE secures a permit from CITY to conduct such activity at the Airport, pays required fees, and abides by all reasonable rules and regulations established by CITY. No discriminatory limitations or restrictions shall be imposed by CITY that interfere with such purchases; provided, however, nothing herein shall be construed to permit AIRLINE to store aviation fuels at the Airport. The granting of the right to store aviation fuels shall be subject to the execution of a separate agreement between AIRLINE and CITY.

F. The servicing by AIRLINE or its suppliers, of aircraft and other equipment being utilized at the Airport by AIRLINE on Preferential Use Premises gates and Aircraft Parking Aprons or such other locations as may be designated by the Director.

G. The loading and unloading of persons, property, cargo, and mail by motor vehicles or other means of conveyance approved by CITY on the Preferential Use Premises Aircraft Parking Aprons or such other locations as may be designated by the Director and in compliance with the CITY's approved Airport Certification Manual which is kept on file in the Airport Director's office.

H. The provision, either alone or in conjunction with other Scheduled Air Carriers or through a nominee,

of porter/skycap services and security services for the convenience of the public and passengers as allowed by 49 CFR Part 1544.

I. The installation and maintenance, at AIRLINE's sole cost and expense, of identifying signs in AIRLINE's Exclusive Use, Preferential Use Premises, and Joint Use Premises shall be subject to the prior written approval of the Director, however all signage in place and previously approved by the Director as of the Effective Date, is hereby deemed approved. The general type and design of such signs shall be harmonious and in keeping with the pattern and decor of the Terminal areas. Nothing herein shall be deemed to prohibit AIRLINE's installation of identifying signs on the walls behind ticket counters and ticket lift counters in hold rooms as designated by the Director.

J. The installation, maintenance and operation, at no cost to CITY, of such radio communication, computer, meteorological and aerial navigation equipment and facilities on AIRLINE's Exclusive Use Premises as may be necessary for the operation of its Air Transportation Business; provided, however, that the location of such equipment and facilities, method of installation and type of equipment shall be subject to the prior written approval of the Director, which shall not be unreasonably withheld. CITY shall have the right to charge a reasonable fee, surcharge, or rental charge for any location outside of AIRLINE's Exclusive Use or Preferential Use Premises. CITY may disapprove or require modification, removal, or relocation of such equipment if it interferes with other communication, meteorological, or aerial navigation systems operated by CITY, other tenants, or governmental agencies. Upon abandonment or removal of any such system, AIRLINE shall restore the Premises to its original condition, normal wear and tear excepted.

K. Such rights of way as may reasonably be required by AIRLINE for communications, computer equipment, telephone, interphone, conveyor systems and power and other transmission lines in areas not exclusively leased by AIRLINE, subject to the availability of space and/or ground areas as reasonably determined by the Director. All communication cables are to be installed in accordance with applicable building codes. Communication cable and internal electrical wires are the responsibility of the AIRLINE from the demarcation point and electrical wiring is the responsibility of the AIRLINE from the metered source.

L. AIRLINE shall provide electronic flight arrival and departure information through CITY-installed and maintained MUFID and BID systems or by any other method to which AIRLINE and CITY agree.

M. AIRLINE shall have the right to use, in common with others so authorized, the public address system serving the Terminal Building. AIRLINE shall not install, cause to be installed, or use any other public address system at the Terminal Building without the prior approval of CITY. The CITY reserves the right to

establish a charge for the use of such system.

N. The installation of personal property, including furniture, furnishings, supplies, machinery, equipment, and electronic ticketing machines in AIRLINE's Exclusive Use Premises and Preferential Use Premises as AIRLINE may deem necessary or prudent for the operation of its Air Transportation Business. Title to such personal property shall remain with AIRLINE, subject to the provisions of this Agreement.

O. Ingress to and egress from the Airport and AIRLINE's Leased Premises for AIRLINE's officers, employees, agents and invitees, passengers, suppliers of materials, furnishers of services, aircraft, equipment, vehicles, machinery and other property. Such right shall be subject to 49 CFR Part 1542 Airport Security and all other applicable regulations and the CITY's right to establish rules and regulations governing (i) the general public, including AIRLINE's passengers, and, (ii) access to non-public areas at the Airport by AIRLINE's employees, suppliers of materials and furnisher of services; provided, however, any such rules and regulations of the CITY shall not unreasonably interfere with the operation of AIRLINE's Air Transportation Business. Further, CITY reserves the right to, from time to time, temporarily or permanently restrict the use of any roadway or other area at the Airport. In the event of such restrictions, and if necessary, CITY shall ensure the availability of a reasonably equivalent means of ingress and egress. CITY will consult with AIRLINE prior to any such closing which would adversely affect AIRLINE's operations at the Airport unless such closing is necessitated by circumstances which pose an immediate threat to the health or safety of persons using the Airport. AIRLINE hereby releases and discharges CITY, its successors and assigns, from any and all claims, demands or causes of action which AIRLINE may have arisen from the fact that such areas have been closed.

P. The rights and privileges granted to AIRLINE pursuant to this Article 5 may be exercised on behalf of AIRLINE by other Signatory Airlines, designated Affiliated Airlines, or contractors authorized by CITY to provide such services at the Airport, subject to the prior written approval of CITY and further subject to all laws, rules, regulations and fees and charges as may be applicable to the activities undertaken.

5.02 Exclusions and Reservations.

A. Nothing in this Article 5 shall be construed as authorizing AIRLINE to conduct any business separate and apart from the conduct of its Air Transportation Business at the Terminal. AIRLINE shall not use or permit the use of any portion of AIRLINE's Leased Premises for the purpose of selling, offering for sale, dispensing or providing any merchandise, product, services, or advertising that directly competes with an authorized Airport concession except for vending machines in the Airline's Exclusive Use Premises not

accessible to public and nothing contained herein is intended to or shall be construed to authorize or permit the AIRLINE to conduct any activity or to operate any direct or indirect business operation which in any manner competes with any authorized concession activity at the Airport without the prior written approval of the Director and the payment to the CITY of concession fees. Any authorized third party handling contract is not considered a concession for the purpose of imposing a concession fee under the terms of this Agreement.

B. AIRLINE shall not knowingly interfere or permit interference with the use, operation or maintenance of the Airport, including but not limited to, the effectiveness or accessibility of the drainage, sewerage, water, communications, fire protection, utility, electrical, or other systems installed or located from time to time at the Airport; and AIRLINE shall not engage in any activity prohibited by any future approved 14 CFR Part 150 program, or existing Noise Abatement Procedures or as such may be amended from time to time.

C. As soon as possible after release from proper authorities, AIRLINE shall remove any of its disabled aircraft from the Landing Area and Ramp Area, shall place any such disabled aircraft only in such storage areas as may be designated by the Director, and shall store such disabled aircraft only upon such terms and conditions as may be established by the Director; provided, however, AIRLINE shall be requested to remove such disabled aircraft from AIRLINE' s preferentially leased Aircraft Parking Apron(s) only if deemed necessary in accordance with Article 16. In the event AIRLINE shall fail to remove any of its disabled aircraft as expeditiously as possible, the Director may, but shall not be obligated to, cause the removal of such disabled aircraft; provided however, the Director shall give AIRLINE prior notice of its intent to do so and provided further that the Director shall use reasonable efforts to remove such aircraft. AIRLINE shall pay to CITY, upon receipt of invoice, the costs incurred for such removal plus a fifteen percent (15%) administrative charge.

D. AIRLINE shall not do or permit to be done anything, either by act or failure to act, that shall cause the cancellation or violation of the provisions, or any part thereof, of any policy of insurance for the Airport, or that shall cause a hazardous condition so as to increase the risks normally attendant upon operations permitted by this Agreement. If such AIRLINE act, or failure to act, shall cause cancellation of any policy, then AIRLINE shall immediately, upon notification by CITY, do whatever shall be necessary to cause reinstatement of said insurance. Furthermore, if AIRLINE shall do or permit to be done any act not permitted under this Agreement, or fail to do any act required under this Agreement, regardless of whether such act shall constitute a breach of this Agreement, which is the sole cause of an increase in the CITY's insurance premium for the Airport, AIRLINE shall immediately remedy such actions and pay the increase in premium associated with the act upon notice from CITY to do so and after a sixty (60) day period for AIRLINE to

contest the increase.

E. CITY may, at its sole option, install or cause to be installed advertising and revenue generating devices, including vending machines, in Preferential Use or Joint Use Premises; provided, however, that such installations shall not unreasonably interfere with AIRLINE' s operations authorized hereunder or substantially diminish the square footage contained in Airline Preferential Use or Joint Use Premises. CITY may also, at its sole option, install pay telephones, facsimile machines, or other self-service traveler amenities in any part of the Terminal; provided, however, installation of such devices in Preferential Use Premises shall be with AIRLINE' s prior consent, which consent shall not unreasonably be withheld or delayed. CITY shall be entitled to all income generated by such telephones and devices and to reasonable access upon Airline Preferential Use and Joint Use Premises to install or service such telephones and devices. AIRLINE shall not be responsible for any maintenance of or liability arising from the installation, maintenance, or provision of any such services or devices.

F. AIRLINE must comply with, and require its officers and employees and any other persons over whom it has control to comply with, such reasonable rules and regulations governing the use of Airport facilities pursuant to this Agreement as may from time to time be adopted and promulgated by CITY including, but not limited to, health, safety, environmental concerns, sanitation, and good order, and with such amendments, revisions, or extensions thereof as may from time to time be adopted and promulgated by CITY. AIRLINE will not do or authorize to be done anything, which may interfere with the effectiveness of the drainage and sewage system, water system, communications system, fire protection system, or other part of the utility, electrical or other systems installed or located from time to time at the Airport.

G. AIRLINE must coordinate training flights and other nonscheduled flight activities into and out of Airport with the Director. If requested by CITY, AIRLINE must restrict all such activities to certain hours established by the Director so as to not interfere with scheduled flight activities of other Airlines using the Airport.

H. AIRLINE must comply with all requirements of the Americans with Disabilities Act ("ADA"), as it may be amended, including without limitation paying for the cost of removing all barriers within AIRLINE's Exclusive Use and Preferential Use Premises, necessary to gain access to the AIRLINE's Exclusive Use and Preferential Use Premises.

I. AIRLINE shall comply with all Department of Transportation requirements including 14 CFR 382.23(e) and 49 CFR 27.71, as may be amended with regard to the chair lift ("Lift") used to board

AIRLINE passengers with mobility impairment purchased by the Airport and intended to comply with all Department of Transportation requirements including 14 CFR 382.23(e) and 49 CFR 27.71, as may be amended. AIRLINE's operation and use of the Lift shall be on a joint use basis with other Airlines serving the Airport to enplane and deplane its passengers with mobility impairments and shall be subject to the following conditions and exceptions:

- 1) AIRLINE's aircraft is of a type and design that is compatible with the Lift so as to be used with applicable operational convenience and with the highest degree of safety. If AIRLINE elects to use aircraft incompatible with Airport's Lift, then AIRLINE is responsible for providing a compatible lift at its sole expense.
- 2) The Lift is available and is in a sound and operational condition.
- 3) All AIRLINE personnel operating the Lift are required to complete operator training specified by the Lift manufacturer for safe, proper, and efficient use of the Lift prior to use of the Lift.
- 4) If any maintenance, repair, or replacement work is caused by AIRLINE's negligence or inappropriate use of the Lift, AIRPORT shall be responsible for the repair and/or replacement of the Lift to the extent of the damage caused by AIRLINE's negligence or inappropriate use of the Lift and the full cost of any such repairs shall be invoiced to AIRLINE and due and payable immediately, plus a fifteen percent (15%) administrative charge. .
 - a) It is AIRLINE's sole responsibility to enplane and deplane its passengers with mobility impairments and shall hold CITY harmless for all activities associated with such the enplanement or deplanement, and AIRLINE may use Airport's Lift to meet that responsibility.
 - b) It is AIRLINE's obligation to notify the Director of any needed repairs to the Lift immediately upon discovery of such need.
 - c) CITY shall conduct regular preventative maintenance to the lift so as to keep it in good working order. Any necessary repairs to or replacement of the Lift shall be the Airport's responsibility, unless damage is caused by AIRLINE's negligence or inappropriate use of the Lift.

J. AIRLINE may use Terminal Equipment as shown in Exhibit "F" within AIRLINE's Leased Premises. AIRLINE shall ensure that those personnel involved in the use of Terminal Equipment are

properly trained in the use and operation of the devices in a safe manner and that only those trained AIRLINE personnel use and operate the Terminal Equipment. **Except to the extent prevented by Texas' Workers' Compensation law, AIRLINE shall indemnify CITY from any and all claims for damages made against CITY due to injury, death, or damage to persons or property resulting from use of Terminal Equipment by AIRLINE, its agents, employees, or officers.** Airport shall conduct regular maintenance to the Terminal Equipment so as to keep it in good working order. Any necessary repairs to or replacement of the Terminal Equipment shall be the Airport's responsibility unless damage is caused by AIRLINE's negligence or inappropriate use of the Terminal Equipment in which event AIRLINE must repair or replace the Terminal Equipment at its expense.

K. The rights and privileges granted AIRLINE pursuant to this Article 5 shall be subject to any and all reasonable rules and regulations established by CITY and to the provisions of Article 7.

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

5.03 CITY's Operation and Maintenance Obligations.

A. CITY shall with reasonable diligence, prudently develop, improve, and at all times maintain and operate the Aviation System with adequate qualified personnel and keep the Aviation System in good repair, unless such maintenance, operation or repair shall be AIRLINE's obligation pursuant to Exhibit "D"

B. CITY shall use reasonable efforts to keep the Aviation System and its aerial approaches free from ground obstruction for the safe and proper use thereof by AIRLINE.

C. CITY shall not be liable to AIRLINE for temporary failure to furnish all or any of such services to be provided in accordance with Exhibit "D" when due to mechanical breakdown or any other cause beyond the reasonable control of CITY. CITY shall use commercially reasonable efforts to i) Ensure the good repair of the Aviation System and the services described in Exhibit "D"; and ii) Eliminate a failure thereof in order to minimize the effect to AIRLINE as soon as possible.

D. CITY shall maintain CITY owned passenger loading bridges located on Preferential Use Premises Aircraft Parking Apron (s) and the MUFIDS/BIDS provided by CITY for AIRLINE's use.

E. CITY shall use funds within the Airport Discretionary Fund to pay for local share of Annual Capital Outlays and Capital Improvements.

5.04 AIRLINE's Operation and Maintenance Obligations.

A. AIRLINE shall, at all times and at its own expense, preserve and keep AIRLINE's Exclusive Use Premises in an orderly, clean, neat and sanitary condition pursuant to Exhibit "D."

B. AIRLINE shall keep at its own expense its Preferential Use Aircraft Parking Apron(s) as reasonably free as possible of fuel, oil and debris. AIRLINE agrees to comply with all applicable environmental laws, rules, regulations, orders and/or permits applicable to AIRLINE's operations on or in the vicinity of the Airport, including but not limited to applicable National Pollutant Discharge Elimination System Permits and all applicable laws relating to the use, storage, generation, treatment, transportation, and/or disposal of hazardous or regulated substances. If AIRLINE determines at any time through any means that any threat of any potential harm to the environment, including but not limited to any release, discharge, spill, or deposit of any hazardous or regulated substance, has occurred or is occurring which in any way affects or threatens to affect the Airport, or the persons, structures, equipment, or other property thereon, AIRLINE must notify immediately by verbal report in person or by telephone, to be promptly confirmed in writing, (1) the Director, (2) the Airport's Public Safety Office, and (3) Emergency response centers and environmental or regulatory agencies, as required by law or regulation, and must follow such verbal report with written report as required by law. AIRLINE agrees to cooperate fully with the CITY in promptly responding to, reporting, and remedying any threat of potential harm to the environment, including without limitation any release or threat of release of hazardous or regulated substance into the drainage systems, soils, ground water, waters, or atmosphere, in accordance with applicable law or as authorized or approved by any federal, state, or local agency having authority over environmental matters. AIRLINE will undertake all required remediation and all costs associated therewith, for AIRLINE's action or inaction which is directly or indirectly responsible for any failure of the AIRLINE to materially conform to all applicable environmental laws, rules, regulations, orders and/or permits. The rights and obligations set forth in this paragraph survive the termination of this Agreement.

C. CITY shall maintain the Heating Ventilation and Air Conditioning system from the supply point which is the point at which the supply enters the AIRLINE's Exclusive Use and Preferential Use Premises and continuing throughout the Airline's Exclusive Use Premises and Preferential Use Premises. AIRLINE must maintain electric loads within the designed capacity of the Airport's electrical system and prior to any change in the electrical system loads which would exceed its capacity, written consent will be obtained from the Director by the AIRLINE.

AIRLINE shall maintain fixtures, equipment, and its Exclusive Use and Preferential Use Premises in good condition, reasonable wear and tear excepted, and perform all ordinary repairs and inside painting. Such repairs and painting by AIRLINE shall be of a quality and class not inferior to the original material and workmanship.

D. AIRLINE may dispose of routine daily trash in the CITY provided trash compactor without additional charge. However, AIRLINE, at its sole expense, must dispose of non-routine daily trash, including without limitation construction debris and other waste materials-including petroleum products, either directly or through an independent contractor, either of which must obtain CITY permits.

E. AIRLINE will provide and maintain hand fire extinguishers for all Exclusive Use and Preferential Use Premises in accordance with applicable safety codes.

F. AIRLINE will repair, at its cost, or at CITY's option reimburse CITY for the cost of repairing, replacing, or rebuilding any damages to the AIRLINE's Exclusive Use and Preferential Use Premises caused by the acts or omissions of AIRLINE, its sub lessee, or its or their respective officers, employees, agents, or business invitees, including without limitation customers. Any repairs made by AIRLINE are subject to inspection and approval by CITY.

G. AIRLINE may not erect, maintain or display on the Airport any billboards, banners, advertising, promotions, signs or materials without the prior written approval of Director. AIRLINE must keep its ticket counter free of all printed material except required regulatory signs or conditions of travel and advertising displays and related materials. CITY may remove any unauthorized material or displays, which are placed on the Airport without the Director's prior written approval.

H. Should AIRLINE fail to perform its material obligations hereunder, CITY shall have the right to enter the AIRLINE's Leased Premises and perform such activities; provided, however, other than in a case of emergency, CITY shall give to AIRLINE reasonable advance written notice of non-compliance, not to exceed ten (10) days, prior to the exercise of this right. If such right is exercised, AIRLINE shall pay to CITY, upon receipt of invoice, the cost of such services plus a fifteen percent (15%) administrative charge.

5.05 Designation of Operation and Maintenance Responsibilities. Responsibilities for maintenance, cleaning and operation of the Airport shall be as set forth in Exhibit "D" attached hereto and made a part hereof.

ARTICLE 6: CAPITAL IMPROVEMENTS

6.01 General

A. It is contemplated by the parties that from time to time during the term of this Agreement, the CITY may undertake Capital Improvements to the Airport, subject to the provisions of Article 6.

B. In conjunction with submission of its Annual Budget, Director will notify AIRLINE of its proposed Capital Improvements, including a sources and uses of funds plan, for the ensuing Fiscal Year as well as a projection of Capital Improvements anticipated for the remaining Term of this Agreement and CITY's estimates of the affect of such Capital Improvements on the Rentals, Fees, and Charges paid by Airlines collectively. Director further reserves the right to notify AIRLINE at any other time of proposed Capital Improvements subject to AAAC consultation procedures as set forth in this Article 6.

C. Except for Capital Improvements required in order to avoid or react to emergency conditions that could disrupt operations at the Airport or projects that are required to conform to Federal, State, or local laws, rules, or regulations, the Capital Improvement Program proposed by Director is subject to AAAC consultation procedures pursuant to this Article 6. CITY agrees to meet collectively with the Signatory Airlines within thirty (30) days after notification to AIRLINE of said Capital Improvement to further discuss the Capital Improvements. CITY agrees to consider the comments and recommendations of the AAAC with respect to said Capital Improvement. Terminal capacity enhancement projects will not proceed unless a new or existing AIRLINE can not be accommodated within the existing facilities. CITY will maximize use of grants and non-rate based sources of funds for all eligible components of Terminal capacity expansion projects.

6.02 Grants-In-Aid

CITY will use its best efforts to obtain maximum development of Grants-In-Aid.

ARTICLE 7: RENTALS, FEES, AND CHARGES

AIRLINE shall pay CITY rentals for use of AIRLINE's Leased Premises, and fees and charges for the other rights, licenses, and privileges granted hereunder during the Term of this Agreement. The Rentals, Fees, and Charges payable by all Signatory Airlines and their designated Affiliate Airlines for the Airfield and, with

respect to the Terminal, the Rentals, Fees and Charges payable by Signatory Airlines leasing space in the Terminal shall be calculated as set forth in Exhibit "G". For AIRLINES executing this Agreement and operating on, a Per Use Charge basis, AIRLINE will be assessed with a minimum annual guarantee as outlined in Article 7.5 below and in accordance with the rate identified in Exhibit "G". In addition, AIRLINE will be required to lease, directly from the AIRPORT, Exclusive Use Premises located in the ticketing area. The square footage required to be leased by AIRLINE will be at the discretion of the Airport Director. For Airlines who have not executed this Agreement or an Agreement substantially similar and have not been designated as an Affiliate Airline, the Non-Signatory Airline shall be required to pay a Non-Signatory premium of one hundred twenty five percent (125%) of all applicable rates and charges. For each Fiscal Year covered by this Agreement, the rates shall be outlined for each year in Exhibit "G".

7.01 Landing Fees. AIRLINE shall pay to CITY fees for aircraft landings at Airport as set forth in Exhibit "G". Landed weight shall be reported to the City within ten (10) days following the end of the month in which activity occurred. Signatory Airlines' landing fees shall be calculated to include all Maintenance and Operating Expenses and the net cost of non-federally funded or State funded capital costs associated with the Airfield and is determined as the product of the landing fee rate for the period and the Signatory and Non-Signatory total landed weight for the month. AIRLINE's landed weight for the month shall be determined as the product of the Maximum Gross Landed Weight of each category of landing aircraft of the AIRLINE by the number of Landings of each said aircraft during such month.

7.02 Terminal Rentals AIRLINE's Terminal rentals shall be determined as the sum of rentals for Exclusive Use and Preferential Use Premises. Rental payment for Exclusive Use and Preferential Use Premises shall be the Terminal rental rate as set forth in Exhibit "G" and the square footage of the corresponding type of space leased by AIRLINE as set forth in Exhibit "B".

7.03 Apron Fees AIRLINE shall pay to CITY apron fees for the parking of aircraft at the gate area. Such fees shall be calculated in accordance with Exhibit "G" and allocated to AIRLINE based on the number of Airline leased apron spaces as indicated by the lease lines shown on Exhibit "C".

7.04 Joint Use Charges. AIRLINE's Joint Use Charges shall be determined as the sum of 1) the product of the weighted average terminal rate per square foot and the square footage of the Joint Use Premises leased by AIRLINE as set forth in Exhibit "B" and 2) the Net Terminal Security Cost as shown on Exhibit "G". Passenger activity shall be reported to the City within ten (10) days following the end of the month in which activity occurred.

7.05 Per Use Charge. Per Use Charges shall be calculated as a flat fee paid per turn (including an arrival and departure) and will be adjusted annually. The calculation shall be based upon adding the average annual rate per turn for the concourse, inbound baggage, outbound baggage, the average per turn rate paid for exclusive space, plus a 15% overhead fee as is identified in Exhibit "G". For airlines utilizing this Per Use Charge provision, all activity for the month will be reported within ten (10) days following the end of the month. For Airline(s) operating under a Per Use Charge basis, a minimum annual guarantee amount will apply. The minimum annual guarantee will be an amount equal to the twenty percent (20%) fixed use amount charged to each Signatory Airline calculated as part of the Joint Use space charge and the amount due for ticketing space leased by AIRLINE. This amount will be adjusted annually.

7.06 Other Fees and Charges.

A. CITY expressly reserves the right to assess and collect the following:

- (1) Charter Flight Fees - AIRLINE must pay fees to the CITY for charter flights operated or handled by AIRLINE as follows: (i) if the charter flight is handled by AIRLINE with its own or a leased aircraft at AIRLINE's Leased Premises, AIRLINE will pay the Signatory rates and charges; (ii) if the charter flight is operated by an aircraft owned by a Non-Signatory third party and is handled at AIRLINE's Leased Premises, AIRLINE must pay the Non-Signatory rates and charges as outlined in Article 7; or (iii) if the charter flight is handled by an aircraft owned by a Non-Signatory third party and handled outside AIRLINE's Leased Premises, AIRLINE must pay the applicable Per Use Charge and the Non-Signatory rates and charges. If AIRLINE parks aircraft at a CITY-controlled apron position, AIRLINE must pay an Apron Parking Fee as shown in Exhibit "G".
- (2) Reasonable and non-discriminatory fees and charges for services or facilities not enumerated in this Agreement, but provided by CITY and accepted by AIRLINE, including, but not limited to, Federal Inspection Services Area ("FIS") fees as set forth in Exhibit "G".
- (3) Pro-rata share, based upon enplaned passengers, of any charges for the provision of any services or facilities which CITY is required to provide by any governmental entity (other than CITY acting within its proprietary capacity) having jurisdiction over the Airport.

B. CITY reserves the right to charge AIRLINE or its employees, contractors, or agents a reasonable fee for a security background check and identification badges provided at the Airport.

C. AIRLINE shall pay reasonable charges for other services or facilities provided by CITY to AIRLINE. Such services or facilities may include, but are not limited to, special maintenance of AIRLINE's Leased Premises including janitorial services or equipment/vehicle storage areas. The fees for these services shall be established by the Director upon request for services by AIRLINE.

D. AIRLINE shall pay the required fees for all permits and licenses necessary for the conduct of its Air Transportation Business at the Airport. AIRLINE shall pay all electricity, gas, and water and sewerage fees and charges, if separately metered. AIRLINE shall also pay all taxes, assessments, and charges, which during the Term of this Agreement may become a lien or which may be levied by the State, County, or any other tax levying body, upon any taxable interest by AIRLINE acquired in this Agreement, or any taxable possessory right which AIRLINE may have in or to the premises or facilities leased hereunder, or the improvements thereon, by reason of its occupancy thereof, or otherwise, as well as taxes, assessments, and/or charges on taxable property, real or personal, owned by AIRLINE in or about said premises. Upon any termination of tenancy, all taxes then levied or a lien on any of said property, or taxable interest therein, shall be paid in full and without pro-ration by AIRLINE forthwith, or as soon as a statement thereof has been issued by the tax collector, if termination occurs during the interval between attachment of the lien and issuance of statement. However, AIRLINE shall not be deemed to be in default under this Agreement for failure to pay taxes pending the outcome of any proceedings instituted by AIRLINE to contest the validity or the amount of such taxes, provided that such failure to pay does not result in any forfeiture.

7.06 Payments.

A. Payments of one-twelfth (1/12) of the total annual rentals for AIRLINE's Exclusive Use Premises, Preferential Use Premises, and Apron Fees shall be due in advance, without demand, on the first day of each month. Said rentals and charges shall be deemed delinquent if payment is not received by the fifteenth (15) calendar day of the month.

B. Payment of AIRLINE's Landing Fees shall be due on the last day of each month following the month in which such activity occurs. Said fees shall be deemed delinquent if payment is not received on the date due.

C. Payment for Joint Use Charges shall be due on the thirtieth last day of each month based on the previous month's enplanement data. Said fees shall be deemed delinquent if payment is not received on the date due.

D. Payment for Per Use Charges shall be due on the thirtieth last day of each month based on the previous month's activity data. Said fees shall be deemed delinquent if payment is not received on the date due.

E. Payment for all other fees and charges due hereunder, shall be due as of the date of the CITY's invoice. Said fees and charges shall be deemed delinquent if payment is not received within thirty (30) days of the date of such invoice.

F. CITY shall provide written notice of any and all payment delinquencies, including payments of any deficiencies which may be due as a result of the CITY's estimates of activity pursuant to Paragraph F below or due to an audit performed pursuant to Paragraph 7.07.C., herein; provided, however, interest at the lower of one and one-half percent (1 ½ %) per month, or the highest rate allowable by applicable state law, shall accrue against any and all delinquent payment(s) from the date due until the date payments are received by CITY. This provision shall not preclude CITY from canceling this Agreement for default in the payment of rentals, fees or charges, as provided for in Section 12.01B herein, or from exercising any other rights contained herein or provided by law.

G. In the event AIRLINE fails to submit its monthly activity report as required in Section 7.07, CITY shall estimate the Rentals, Fees and Charges based upon the higher of one hundred twenty-five percent (125%) of the previous month's activity or the same month's prior year activity reported by AIRLINE and issue an invoice to AIRLINE for same. If no activity data is available, CITY shall reasonably estimate such activity and invoice AIRLINE for same. AIRLINE shall be liable for any deficiencies in payments based on estimates made under this provision; payment for said deficiencies shall be deemed due as of the date such rental was due and payable. If such estimate results in an overpayment by AIRLINE, CITY shall apply such overpayment as a credit against any outstanding invoices or subsequent amounts due for such Rentals, Fees and Charges from AIRLINE; provided, however, AIRLINE shall not be entitled to any credit for interest on payments of such estimated amounts.

H. In the event AIRLINE's obligations with respect to AIRLINE's Leased Premises or rights, licenses, services or privileges granted hereunder shall commence or terminate on any date other than the first or last day of the month, AIRLINE's Rentals, Fees and Charges shall be prorated on the basis of the number of days such premises, facilities, rights, licenses, services, or privileges were enjoyed during that month.

I. All payments due and payable hereunder shall be paid in lawful money of the United States of America, without set off, by check made payable to the Corpus Christi International Airport and delivered to:

Corpus Christi International Airport
Accounts Receivable Department
1000 International Drive
Corpus Christi, TX. 78406

7.07 Information to be Supplied by AIRLINE.

A. Not later than ten (10) days after the end of each month, AIRLINE shall file with Airport written report in the format as set forth in Exhibit "G" for activity conducted by AIRLINE and its designated Affiliate Airline(s) during said month, and for activity handled by AIRLINE for other Air Transportation Companies not having an agreement with CITY providing for its own submission of activity data to CITY.

B. CITY shall have the right to rely on said activity reports in determining rentals and charges due hereunder; provided, however, AIRLINE shall have full responsibility for the accuracy of said reports including the sum and product totals. Payment deficiencies due to incomplete or inaccurate activity reports shall be subject to interest charges as set forth in Paragraph 7.06.E.

C. AIRLINE shall at all times maintain and keep books, ledgers, accounts or other records, wherein are accurately kept all entries reflecting the activity statistics to be reported pursuant to Paragraph 7.07.A. Such records shall be retained by AIRLINE for a period of three (3) years subsequent to the activities reported therein, or such other retention period as set forth in 14 CFR Part 249, and made available at Corpus Christi, Texas for audit and/or examination by CITY or its duly authorized representative during all normal business hours. AIRLINE shall produce such books and records at Corpus Christi, Texas within thirty (30) calendar days of written notice to do so or pay all reasonable expenses, including but not limited to transportation, food and lodging, necessary for an auditor selected by CITY to audit said books and records at a place selected by AIRLINE.

D. The cost of audit, with the exception of the aforementioned expenses, shall be borne by CITY as an O&M Expense; provided, however, the total cost of said audit shall be borne by AIRLINE if either or both of the following conditions exist:

- (1) The audit reveals an underpayment of more than five percent (5%) of Rentals, Fees and Charges due hereunder, as determined by said audit; and/or
- (2) AIRLINE has failed to maintain true and complete books, records, accounts, and supportive source

documents in accordance with Paragraph 7.07.C.

7.08 Security for Payment

A. Unless Signatory Airline has provided regularly scheduled flights to and from the Airport during the twelve (12) months prior to the Effective Date of this Agreement without the occurrence of any act or omission that would have been an event enumerated in Section 12.01 of this Agreement, if this Agreement had been in effect during that period, AIRLINE shall provide CITY on the Effective Date of this Agreement with a contract bond, irrevocable letter of credit or other similar security acceptable to CITY ("Contract Security") in an amount equal to the estimate of three (3) months' Rentals, Fees and Charges payable by AIRLINE pursuant to this Article 7, to guarantee the faithful performance by AIRLINE of its obligations under this Agreement and the payment of all Rentals, Fees and Charges due hereunder. AIRLINE shall be obligated to maintain such Contract Security in effect until the expiration of twelve (12) consecutive months during which period AIRLINE commits no event enumerated in Section 12.01 of this Agreement. Such Contract Security shall be in a form and with a company reasonably acceptable to CITY. In the event that any such Contract Security shall be for a period less than the full period required by this Paragraph 7.08.A or if Contract Security shall be canceled, AIRLINE shall provide a renewal or replacement Contract Security for the remaining required period at least sixty (60) days prior to the date of such expiration or cancellation.

B. Notwithstanding the above Paragraph 7.08.A, CITY shall have the right to waive such Contract Security requirements for a Signatory Airline which has not provided regularly scheduled flights to and from the Airport during the twelve (12) months prior to the Effective Date of its Signatory Airline agreement. Any such waiver by CITY shall be conditioned upon said Signatory Airline having provided regularly scheduled flights at six (6) other airports with activity levels and characteristics similar to Airport during the most recent twelve (12) month period, without committing any material default under the terms of the respective lease and use agreements at each of the six (6) facilities, and without any history of untimely payments for rentals, fees and charges. The burden shall be on AIRLINE to demonstrate to CITY its compliance with these requirements by providing written documentation from six (6) other airports selected by Airport.

C. If AIRLINE is delinquent in any debt due to the CITY for a period greater than ninety (90) days and/or continuously delinquent for a period of six (6) months, CITY shall impose or re-impose the requirements of Paragraph 7.08.A on AIRLINE.

D. Upon the occurrence of any AIRLINE act or omission that is an event enumerated in Section 12.01, or upon election to assume this Agreement under Federal Bankruptcy Rules and Regulations and Federal

Judgeship Act of 1990, as such may be amended, supplemented, or replaced, CITY, by written notice to AIRLINE given at any time within ninety (90) days of the date such event becomes known to CITY, may impose or re-impose the requirements of Paragraph 7.08.A on AIRLINE. In such event, AIRLINE shall provide CITY with the required Contract Security within ten (10) days from its receipt of such written notice and shall thereafter maintain such Contract Security in effect until the expiration of a period of eighteen (18) consecutive months during which AIRLINE commits no additional event enumerated in Section 12.01.

E. If AIRLINE shall fail to obtain and/or keep in force such Contract Security required hereunder, such failure shall be grounds for immediate cancellation of this Agreement pursuant to Section 12.01. CITY's rights under this Section 7.08 shall be in addition to all other rights and remedies provided to CITY under this Agreement.

7.09 Passenger Facility Charge.

A. AIRLINE acknowledges that CITY shall have the right to assess Airline passengers a Passenger Facility Charge ("PFC") for the use of the AIRPORT in accordance with 49 U.S.C. §40117 and the rules and regulations there under (14 CFR Part 158, herein the "PFC Regulations") and as otherwise hereinafter authorized or permitted. AIRLINE shall collect on behalf of and remit to CITY any such charges in accordance with the requirements of the PFC Regulations, including but not limited to holding any charges collected by the AIRLINE, pending remittance to CITY, in trust for the benefit of CITY. CITY shall have the right to use all such PFC revenue collected in any lawful manner.

B. AIRLINE and CITY shall be bound by and shall observe all of the provisions of the PFC Regulations as they apply to either or both parties.

C. If AIRLINE fails to remit PFC revenue to CITY within the time limits established by the PFC Regulations (no later than the last day of the following calendar month), AIRLINE shall be deemed to be in default pursuant to Section 12.01. Any late payment of PFC's shall be subject to interest computed in accordance with Section 7.06.

7.10 Capitalized Interest on Bonds. Bonds issued by the CITY will provide for the capitalization of interest, by project, during the construction period for each respective project; and the CITY intends for Debt Service on Bonds to be capitalized until Substantial Completion of projects financed, in part, from the proceeds of Bonds. Provided, however, that in the event any Debt Service applicable for Bonds shall become payable from Revenues prior to Substantial Completion of projects, the Debt Service will be allocated to Cost

Centers in the same manner as the related project costs (net of any PFC funding) are allocated to Cost Centers.

7.11 Continuation of Rent . Signatory Airlines that cease service at the Airport prior to the end of the term of the Agreement as provided for in Section 13.01 will continue to pay rent on Exclusive and Preferential Use Premises and twenty percent of the Joint Use Charge until the end of the Term of the Agreement.

7.12 No Further Charges. Except as provided in this Agreement, no further Rentals, Fees or Charges shall be charged by the CITY to AIRLINE, for the use of AIRLINE's Leased Premises and other facilities, and the rights, licenses, and privileges granted to AIRLINE in Article 5 of this Agreement. The foregoing provision shall not be construed to prohibit the CITY from imposing fees and charges for the use of specified equipment, facilities, or additional services at the Airport or from imposing fines, penalties, or assessments for the enforcement of the CITY's rules and regulations.

7.13 Charges For Services. The provisions contained in Section 7.12 shall not preclude the CITY from seeking reimbursement from AIRLINE, Signatory Airlines, designated Affiliated Airlines, and Non-Signatory Airlines for the cost of services provided to AIRLINE, Signatory Airlines, designated Affiliated Airlines, and Non-Signatory Airlines in compliance with any federal law or rule or regulations which is enacted or amended subsequent to the execution of this Agreement, or for any services or facilities provided subsequent to the execution date of this Agreement, the cost of which is not currently included in the estimated requirement used to calculate Rentals, Fees and Charges under this Agreement.

ARTICLE 8: CHANGES IN RATES FOR RENTALS, FEES, AND CHARGES

8.01 Annual Rate Changes.

A. No later than sixty (60) days prior to the end of each Fiscal Year, CITY shall notify AIRLINE of the proposed Landing Fee and Charges for the ensuing Fiscal Year. Said Landing Fee shall be based upon budgeted Revenues, O&M Expenses, Annual Capital Outlay, and projected Capital Improvements, including coverage and required reserves determined and presented to AIRLINE substantially in conformance with the methods and format set forth in Exhibit "G". Rental rates will be set according to the rates included in Exhibit "G". The allocation of oil and gas lease revenues ("O&G Revenues") identified in Exhibit "G-1.1" shall apply through the Term of this Agreement; however, to the extent that the O&G Revenues exceed one

million dollars (\$1,000,000) in any Fiscal Year, the O&G Revenues allocation will be modified in excess of that amount such that fifty percent (50%) of the O&G Revenues will be applied to the Airfield cost center and fifty percent (50%) will be allocated to the Aviation Discretionary Fund as identified in Exhibit "G-1.1". The Airline allocation will first be applied to offset the Airline Requirement in the Airfield cost center for the then current fiscal year based on the landed weight of all Signatory Airlines. In the event that the amount of O&G Revenues to be applied to the Airfield cost center exceeds the Airline Requirement, then any such surplus will be applied toward the Airline Requirement associated with the Terminal cost center for the then current fiscal year on a square footage basis. In the event that the amount of O&G Revenues to be applied toward the Airline Requirement associated with the Terminal cost center exceeds the Airline Requirement, then at the end of the Term, any remaining surplus amounts will be credited to the previous fiscal year(s) of this Agreement based on pro rata total rates and charges paid by the Signatory Airlines during the period. In the event that any Airline surplus exists and all Airline Requirements for the full term of this Agreement have been credited as outlined above, the distribution of all remaining Airline surplus will be allocated to the Signatory Airlines as negotiated between the Airlines and the Airport Director.

B. The Signatory Airlines through the AAAC shall have the right to review and comment upon the proposed operating budget through a consultation process. No later than thirty (30) days after the forwarding of a proposed schedule of rates for Landing Fees and Charges, CITY agrees to meet or arrange a conference call with the AAAC at a mutually convenient time for the purpose of discussing such Landing Fees and Charges. In advance of said meeting, CITY shall make available to the AAAC any reasonably requested additional information relating to the determination of the proposed rates. CITY agrees to fully consider the comments and recommendations of the Signatory Airlines prior to finalizing its schedule of rates for Rentals, Fees and Charges for the ensuing Fiscal Year.

C. Following said meeting/conference call, and prior to the end of the then current Fiscal Year, CITY shall notify AIRLINE of the rates for the Landing Fees and Charges to be established for the ensuing Fiscal Year.

D. If calculation of the new rates for Landing Fees and Charges is not completed by CITY and the notice provided in Paragraph 8.01 C. is not given on or prior to the end of the then current Fiscal Year, the AIRLINE will be provided written notice that rates for Landing Fees and Charges then in effect shall continue to be paid by AIRLINE until such calculations are concluded and such notice is given. Upon the conclusion of such calculations and the giving of such notice, CITY shall determine the difference(s), if any, between the actual Landing Fees and Charges paid by AIRLINE to date for the then current Fiscal Year and the Landing Fees and Charges that would have been paid by AIRLINE if said rates had been in effect beginning

on the first day of the Fiscal Year. Said differences shall be applied to the Landing Fees or Charges for which a difference(s) in rates resulted in an overpayment or underpayment, and shall be remitted by AIRLINE or credited or refunded by CITY in the month immediately following the calculation of the new Fiscal Year rates or over the remaining months of the then current Fiscal Year as determined by the CITY.

8.02 Other Rate Changes. Landing, Fees and Charges may be changed up to once per fiscal year at any other time that unaudited monthly Airport financial data indicates that total Landing Fees and Charges payable pursuant to the then current rate schedules are estimated and anticipated by CITY to vary by more than ten percent (10%) from the total Landing Fees and Charges that would be payable based upon the use of the projected monthly financial data then available for said Fiscal Year. Rates for Landing Fees and Charges may also be changed whenever required by the terms and provisions of the Master Bond Ordinance No. 024163; which is available in the Airport Administration offices for review, provided, however, that Signatory Airlines' total Landing Fees and Charges payable to CITY shall be allocated to AIRLINE in accordance with this Agreement. In the event of an emergency situation at the Airport where action is required due to respond to operational or safety related issues , the Landing Fees, and Charges may be changed within thirty (30) days, after consultation with the AAAC.

8.03 Incorporation of Exhibit "G" . Adjustments to Landing Fees and Charges, pursuant to this Agreement, shall apply without the necessity of formal amendment of this Agreement. Upon each adjustment pursuant to this Article 8, a revised Exhibit "G" showing the calculation of adjusted rates for Landing Fees and Charges, shall be prepared by CITY and transmitted to AIRLINE. Said exhibit shall then be deemed part of this Agreement without formal amendment thereto.

8.04 Settlement. Upon the earlier of (i) one hundred twenty (120) days following the close of each Fiscal Year, or (ii) as soon as audited financial data for said Fiscal Year is available, rates for Landing Fees and Charges for the preceding Fiscal Year shall be recalculated using audited financial data and the methods set forth in Exhibit "G." Upon the determination of any difference(s) between the actual Landing Fees and Charges paid by Signatory Airlines during the preceding Fiscal Year and the Landing Fees and Charges that would have been paid by Signatory Airlines using said recalculated rates, CITY shall, in the event of overpayment, promptly credit to AIRLINE of the amount of such overpayment within thirty (30) days of determination and such credit will be applied against any outstanding invoices at the time of issuance and in the event of under payment such amount shall be due within thirty (30) days of the invoice date.

8.05 CITY Covenants.

A. CITY covenants that for purposes of assigning and allocating costs, it shall utilize generally accepted

accounting practices utilized for airports operating as an enterprise fund, include only those charges properly attributable to the Aviation System, and adhere to the requirements of the FAA's Policy Regarding the Establishment of Airport Rates and Charges.

B. CITY shall operate the Aviation System in a manner so as to produce Revenues from concessionaires, tenants and other users of the Aviation System of a nature and amount which would be produced by a reasonably prudent operator of an airport of substantially similar size, use and activity, with due regard for the interests of the public.

C. CITY shall use all Revenues of the Aviation System exclusively for the construction, maintenance, operation, development, financing and management of the Aviation System.

ARTICLE 9: AIRLINE IMPROVEMENTS

9.01 AIRLINE Improvements.

A. In accordance with Paragraph 5.01 N., AIRLINE may construct and install, at AIRLINE's sole expense, improvements in its Exclusive Use and Preferential Use Premises as AIRLINE deems to be necessary for its operations; provided, however, that the plans and specifications, location, and construction schedule for such improvement shall be subject to the advanced written approval of the Director. Provided further, that no reduction or abatement of Rentals, Fees and Charges shall be allowed for any interference with AIRLINE's operations by such construction.

B. Prior to the commencement of any improvements greater than \$10,000, the CITY shall have the right to require that AIRLINE shall obtain, or cause to be obtained, a contract surety bond in a sum equal to the full amount of any construction contract awarded by AIRLINE for the improvements. Said contract security bond shall name the CITY as an obligee there under and shall be drawn in a form and from such company acceptable to CITY; shall guarantee the faithful performance of necessary construction and completion of improvements in accordance with approved final plans and detailed specifications; and, shall protect CITY against any losses and liability, damages, expenses, claims and judgments caused by or resulting from any failure to perform completely the work described. CITY reserves the right to require that AIRLINE acquires or causes to be acquired a payment bond with any contractor or contractors of AIRLINE as principal, in a sum equal to the full amount of the construction contract awarded by AIRLINE for the improvements. Said bond shall name the CITY as an obligee there under and shall guarantee payment of all wages for labor and

services engaged, and of all bills for materials, supplies and equipment used in the performance of said construction contract. Any work associated with such construction or installation shall not unreasonably interfere with the operation of the Airport, or otherwise unreasonably interfere with the permitted activities of other Terminal tenants and users. Upon completion of approved construction, and within sixty (60) days of AIRLINE's receipt of a certificate of occupancy, a complete set of "as built" drawings shall be delivered to the Director for the permanent record of CITY.

C. AIRLINE shall furnish or require contractors to furnish satisfactory evidence of statutory worker's compensation insurance, comprehensive general liability insurance, comprehensive automobile insurance and physical damage insurance, on a builder's risk form with the interest of CITY endorsed thereon, in such amounts and in such manner as CITY may reasonably require. CITY may require additional insurance for any alterations or improvements approved hereunder, in such limits as CITY reasonably determines to be necessary.

D. Any construction or installation shall be at the sole risk of AIRLINE and shall be in accordance with all applicable state and local codes and laws and subject to inspection by the Director and all other applicable inspectors.

E. All improvements made to Airline's Exclusive Use and Preferential Use Premises and additions and alterations thereto made by AIRLINE, except those financed by CITY, shall be and remain the property of AIRLINE until expiration of the Term of this Agreement. Upon termination or cancellation of this Agreement, said additions and alterations shall become the property of CITY; provided, however, that any trade fixtures, signs, equipment, and other moveable personal property of AIRLINE not permanently affixed to Airline's Exclusive Use or Preferential Use Premises shall remain the property of AIRLINE, subject to the terms of Article 14.

ARTICLE 10: DAMAGE OR DESTRUCTION

10.01 Partial Damage. If any part of AIRLINE's Leased Premises, or adjacent facilities directly and substantially affecting the use of AIRLINE's Leased Premises, shall be partially damaged by fire or other casualty, but said circumstances do not render AIRLINE's Leased Premises untenable as reasonably determined by CITY, the same shall be repaired to usable condition with due diligence by CITY as hereinafter provided and limited. No abatement of rentals shall accrue to AIRLINE so long as AIRLINE's Leased Premises remain tenantable.

10.02 Substantial Damage. If any part of AIRLINE's Leased Premises, or adjacent facilities directly and substantially affecting the use of AIRLINE's Leased Premises, shall be so extensively damaged by fire or other casualty as to render any portion of said AIRLINE's Leased Premises untenable but capable of being repaired, as reasonably determined by CITY, the same shall be repaired to usable condition with due diligence by CITY as hereinafter provided and limited. In such case, the rentals payable hereunder with respect to AIRLINE's affected AIRLINE Leased Premises shall be paid up to the time of such damage and shall thereafter be abated equitably in proportion as the part of the area rendered untenable bears to total AIRLINE Leased Premises until such time as such affected AIRLINE Leased Premises shall be restored adequately for use. CITY shall use reasonable efforts to provide AIRLINE with comparable alternate facilities to continue its operation while repairs are being completed, at a rental rate not to exceed that provided for in this Agreement for comparable space.

10.03 Destruction.

A. If any part of AIRLINE's Leased Premises, or adjacent facilities directly and substantially affecting the use of AIRLINE's Leased Premises, shall be damaged by fire or other casualty, and is so extensively damaged as to render any portion of said AIRLINE Leased Premises incapable of being repaired within ninety (90) days, as reasonably determined by CITY, CITY shall notify AIRLINE of its decision whether to reconstruct or replace said space; provided, however, CITY shall be under no obligation to replace or reconstruct such premises. The rentals payable hereunder with respect to affected AIRLINE Leased Premises shall be paid up to the time of such damage and thereafter shall abate until such time as replacement or reconstructed space becomes available for use by AIRLINE. If this occurs, Airline may terminate the letting of the AIRLINE's Leased Premises, effective as of the date of written notice to the CITY.

B. In the event CITY elects to reconstruct or replace affected AIRLINE Leased Premises, CITY shall provide AIRLINE with comparable alternate facilities to continue its operation while reconstruction or replacement is being completed at a rental rate not to exceed that provided for in this Agreement for comparable space.

C. In the event CITY elects to not reconstruct or replace affected AIRLINE Leased Premises, CITY shall meet and consult with AIRLINE on ways and means to permanently provide AIRLINE with adequate replacement space for affected AIRLINE Leased Premises. In such event, CITY agrees to amend this Agreement to reflect related additions and deletions to AIRLINE's Leased Premises. AIRLINE is not bound to accept the replacement space and may terminate this Agreement, as described in section 10.03 (A) as above.

10.04 Damage Caused By AIRLINE. Notwithstanding the provisions of this Article 10, in the event that due to the negligence or willful act or omission of AIRLINE, its employees, its agents, or licensees, AIRLINE's Leased Premises shall be damaged or destroyed by fire, other casualty or otherwise, there shall be no abatement of rent during the repair or replacement of said AIRLINE Leased Premises. To the extent that the costs of repairs shall exceed the amount of any insurance proceeds payable to CITY by reason of such damage or destruction, AIRLINE shall pay the amount of such additional costs to CITY.

10.05 CITY's Responsibilities. CITY shall maintain adequate levels of insurance ; provided, however, that CITY's obligations to repair, reconstruct, or replace affected premises under the provisions of this Article 10 shall in any event be limited to restoring affected AIRLINE Leased Premises to substantially the same condition that existed at the date of damage or destruction, including any subsequent improvements made by CITY, and shall further be limited to the extent of insurance proceeds and other funds available to CITY for such repair, reconstruction, or replacement; provided further that CITY shall in no way be responsible for the restoration or replacement of any equipment, furnishings, property, real improvements, signs, or other items installed and/or owned by AIRLINE in accordance with this Agreement, unless AIRLINE proves that damage is caused by negligence or willful act or omission of CITY, its officials, agents, or employees acting within the course or scope of their employment.

ARTICLE 11: INDEMNIFICATION AND INSURANCE

11.01 Indemnification.

A. AIRLINE shall indemnify, save, hold harmless, and defend CITY, its officials, agents and employees, its successors and assigns, individually or collectively, from and against any claim, action, loss, damage, injury, liability, and the cost and expense of whatsoever kind or nature (including, but not limited to, reasonable attorney fees, disbursements, court costs, and expert fees) based upon injury to persons, including death, or damage to property arising out of, resulting from, or incident to AIRLINE's performance of its obligations under this Agreement, or in conjunction with AIRLINE's use and occupancy of AIRLINE's Leased Premises or use of the Airport, unless such injury or damage is occasioned by the sole negligence or willful misconduct of CITY, its officers, employees, or agents.

B. AIRLINE shall indemnify, save, hold harmless, and defend CITY, its

officials, agents and employees, its successors and assigns, individually or collectively, from and against any claim, action, loss, damage, injury, liability, and the cost and expense of whatsoever kind or nature (including, but not limited to, reasonable attorney fees, disbursements, court costs, and expert fees) and any fines in any way arising from or based upon the violation of any federal, state, or municipal laws, statutes, resolutions, or regulations, including rules or regulations of the CITY, by AIRLINE, its agents, employees, or successors and assigns in conjunction with AIRLINE' s use and/or occupancy of AIRLINE's Leased Premises or the Airport unless such injury or damage is occasioned by the sole negligence or willful misconduct of CITY, its officers, employees, or agents.

C. The provisions of this Section 11.01 shall survive the expiration, termination or early cancellation of this Agreement.

11.02 Insurance.

A. Without limiting or expanding AIRLINE's obligation to indemnify CITY, as provided for in Section 11.01, AIRLINE shall procure and maintain in force at all times during the Term of this Agreement occurrence form, comprehensive Airport premises liability and aviation insurance to protect against personal injury and bodily injury liability and property damage liability. The limits for Signatory Airlines operating aircraft larger than sixty (60) seats shall be in an aggregate amount of not less than \$100,000,000 per occurrence, combined single limit; provided, however, coverage for non-passengers shall be not less than an aggregate amount of \$25,000,000 per occurrence. The limits for Signatory Airlines operating aircraft with sixty (60) seats or less shall be in an aggregate amount of not less than \$50,000,000 per occurrence, combined single limit. In addition, AIRLINE shall procure and maintain in force during the Term of this Agreement, liability insurance applicable to the ownership, maintenance, use or operation of any automobile, mobile equipment or other ground vehicle at the Airport (including owned, non-owned, or hired) in an amount not less than \$5,000,000 per occurrence.

B. The aforesaid amounts and types of insurance shall be reviewed from time to time by CITY and may be adjusted by CITY upon prior reasonable notice to AIRLINE if CITY reasonably determines such adjustments are necessary to protect CITY's interests. AIRLINE shall furnish CITY prior to the Effective Date hereof, a certificate or certificates of insurance as evidence that such insurance is in force. CITY reserves the right to require a certified copy of each certificate upon request. AIRLINE shall name CITY as

an additional insured on such insurance policy or policies to the extent of the obligations assumed by AIRLINE under Section 11.01 above. Said policies shall be issued by insurance companies of recognized financial responsibility, and in a form and content reasonably satisfactory to CITY and shall provide for thirty (30) days advance written notice to CITY prior to the cancellation of or any adverse material change in such policies. Failure to provide and/or maintain the required insurance coverage as set forth herein shall be grounds for immediate cancellation of this Agreement.

C. AIRLINE shall procure and maintain in force during the Term of this Agreement, Workers' Compensation coverage in accordance with State Law and Employers Liability in an amount not less than \$1,000,000 each accident and each disease through a licensed insurance company. The contract for coverage must be written on a policy and endorsements approved by the Texas Department of Insurance. The workers' compensation coverage provided must be in an amount sufficient to assure that all workers' compensation obligations incurred by the AIRLINE will be promptly met.

11.03 Waiver of Subrogation. CITY and AIRLINE hereby mutually waive any and all rights of recovery against the other party arising out of damage or destruction of the buildings, AIRLINE's Leased Premises, or any other property from causes included under any property insurance policies to the extent such damage or destruction is covered by the proceeds of such policies and whether or not such damage or destruction shall have been caused by the parties, their officers, employees or agents, but only to the extent that the insurance policies then in force permit such waiver. All policies of insurance shall contain, to the extent available, this waiver of subrogation provision and the cost of such provision shall be borne by the primary insured.

ARTICLE 12: CANCELLATION BY CITY

12.01 Events of Default. The events described below shall be deemed events of default by AIRLINE hereunder:

- A. Upon the occurrence of any one of the following events of default, CITY may give thirty (30) day written notice as provided in Section 12.03.
 - (1) The appointment of a trustee, custodian, or receiver of all or a substantial portion of AIRLINE's assets or the subletting of AIRLINE's Leased Premises without City Council authorization except as

permitted under Article 15.

- (2) The divestiture of AIRLINE's estate herein by operation of law, by dissolution, or by liquidation.
- (3) The AIRLINE shall take the benefit of any present or future insolvency statute, or shall make a general assignment for the benefit of creditors, or shall seek a reorganization or the readjustment of its indebtedness under any law or statute of the United States or of any state thereof.
- (4) The voluntary discontinuance for a period of at least sixty (60) consecutive days by AIRLINE of its operations at the Airport unless otherwise approved by CITY in writing, except when discontinuance is due to fire, earthquake, strike, governmental action, default of the CITY, or other cause beyond AIRLINE's control, and if the AIRLINE's Leased Premises have not been assigned or sublet pursuant to Article 15.
- (5) The failure to cure a default in the performance of any of the material terms, covenants and conditions required herein within thirty (30) days of receipt of written notice by CITY to do so; or if by reason of the nature of such default, the same cannot be remedied within thirty (30) days following receipt by AIRLINE of written demand from CITY to do so, AIRLINE fails to commence the remedying of such default within said thirty (30) days following such written notice, or having so commenced, shall fail thereafter to continue as promptly as reasonably practical the curing thereof; provided however, AIRLINE's performance under this Paragraph 12.01 shall be subject to the provisions of Section 18.24 of this Agreement. AIRLINE shall have the burden of proof to demonstrate to the CITY's satisfaction (i) that the default cannot be cured within thirty (30) days, and (ii) that it is proceeding with diligence to cure said default, and that such default will be cured within a reasonable period of time.

B. Upon the occurrence of any one of the following events of default, CITY may immediately issue written notice of default.

- (1) The failure by AIRLINE to pay any part of the Rentals, Fees and Charges, PFC's or any other sum due hereunder and the continued failure to pay said amounts in full within ten (10) days of CITY's written notice of payments past due. Provided, however, if a dispute arises between CITY and AIRLINE with respect to any obligation or alleged obligation of AIRLINE to make payments to CITY, payments under protest by AIRLINE of the amount due shall not waive any of AIRLINE'S rights to contest the validity or amount of such payment.

- (2) The failure by AIRLINE to maintain the minimum required insurance coverage as required by Section 11.02, provided that CITY shall have the right to immediately suspend AIRLINE's right to operate at the Airport until AIRLINE has obtained the minimum required insurance coverage.
- (3) If any act occurs, through the fault of neglect of AIRLINE, which operates to deprive the AIRLINE permanently of the rights, power and privileges necessary for the lawful conduct and operation of its business.

12.02 Continuing Responsibilities of AIRLINE. Notwithstanding the occurrence of any event of default, AIRLINE shall remain liable to CITY for all Rentals, Fees and Charges payable hereunder and for all preceding breaches of any covenant of this Agreement. Furthermore, except as otherwise provided for in this Agreement, unless CITY, at its sole discretion, elects to cancel this Agreement, AIRLINE shall remain liable for and promptly pay all Rentals, Fees and Charges accruing hereunder until termination of this Agreement as set forth in Article 3 or until this Agreement is canceled by AIRLINE pursuant to Article 13.

12.03 CITY's Remedies. Upon the occurrence of any event enumerated in Section 12.01, the following remedies shall be available to CITY:

- A. CITY may exercise any remedy provided by law or in equity, including but not limited to the remedies hereinafter specified.
- B. CITY may cancel this Agreement, effective upon the date specified in the notice of cancellation. For events enumerated in Paragraph 12.01 A., such date shall be not less than thirty (30) days from said date of receipt of notice. Upon such date, AIRLINE shall be deemed to have no further rights hereunder and CITY shall have the right to take immediate possession of AIRLINE's Premises.
- C. CITY may reenter the AIRLINE's Leased Premises and may remove all AIRLINE persons and property from same upon the date of reentry specified in CITY's written notice of reentry to AIRLINE. For events enumerated in Paragraph 12.01 A. reentry shall be not less than thirty (30) days from the date of notice of reentry.
- D. CITY may relet AIRLINE's Leased Premises and any improvements thereon or any part thereof at such Rentals, Fees and Charges and upon such other terms and conditions as CITY, in its sole discretion, may deem advisable, with the right to make alterations, repairs of improvements on said AIRLINE's Leased

Premises. In reletting the AIRLINE's Leased Premises, CITY shall be obligated to make a good faith effort to obtain terms no less favorable to CITY than those contained herein and otherwise seek to mitigate any damages it may suffer as a result of AIRLINE's event of default.

E. In the event that CITY relets AIRLINE's Leased Premises, Rentals, Fees and Charges received by CITY from such reletting shall be applied: (i) to the payment of any indebtedness other than Rentals, Fees and Charges due hereunder from AIRLINE to CITY; (ii) to the payment of any cost of such reletting; and (iii) to the payment of Rentals, Fees and Charges due and unpaid hereunder. The residue, if any, shall be held by CITY and applied in payment of future Rentals, Fees and Charges as the same may become due and payable hereunder. If that portion of such Rentals, Fees and Charges received from such reletting and applied to the payment of Rentals, Fees and Charges hereunder is less than the Rentals, Fees and Charges payable during applicable periods by AIRLINE hereunder, then AIRLINE shall pay such deficiency to CITY. AIRLINE shall also pay to CITY, as soon as ascertained, any costs and expenses incurred by CITY in such reletting not covered by the Rentals, Fees and Charges received from such reletting.

F. AIRLINE shall pay to CITY all other costs, incurred by CITY in the exercise of any remedy in this Article 12, including, but not limited to, reasonable attorney fees, disbursements, court costs, and expert fees.

ARTICLE 13: CANCELLATION BY AIRLINE

13.01 Events of Default. The events described below shall be deemed events of default by CITY hereunder:

A. CITY fails to keep, perform or observe any material term, covenant or condition herein contained to be kept, performed, or observed by CITY and such failure continues for thirty (30) days after receipt of written notice from AIRLINE; or, if by its nature such default cannot be cured within such thirty (30) day period, CITY shall not commence to cure or remove such default within said thirty (30) days and to cure or remove the same as promptly as reasonably practicable; provided, however, CITY's performance under this Paragraph shall be subject to the provisions of Section 18.24 of this Agreement.

B. Airport is closed to flights in general for reasons other than weather, acts of God, or other reasons beyond CITY's control or to the flights of AIRLINE, for reasons other than those circumstances within AIRLINE's control, and Airport fails to be reopened to such flights within sixty (60) consecutive days from

such closure.

C. The Airport is permanently closed as an air carrier airport by act of any Federal, state, or local government agency having competent jurisdiction; or AIRLINE is unable to use Airport for a period of at least ninety (90) consecutive days due to any law or any order, rule or regulation of any governmental authority having jurisdiction over the operations of the Airport; or any court of competent jurisdiction issues an injunction preventing CITY or AIRLINE from using Airport for airport purposes, for reasons other than those circumstances within its control, and such injunction remains in force for a period of at least ninety (90) consecutive days.

D. The United States Government or any authorized agency of the same (by executive order or otherwise) assumes the operation, control or use of the Airport in such a manner as to substantially restrict AIRLINE from conducting its operations, if such restriction be continued for a period of sixty (60) consecutive days or more.

13.02 AIRLINE's Remedy. AIRLINE termination, due to events of default in provisions of Section 13.01, shall not be effective unless and until at least thirty (30) days have elapsed after written notice to CITY specifying the date upon which such termination shall take effect and the reason for such termination. CITY may cure the cause of such termination within said (30) day period, or such longer time as the parties may agree thereto. In the event, of termination AIRLINE shall surrender the AIRLINE's Leased Premises in accordance with Article 14 hereof. If the termination is due to provisions related to Section 13.01, all Rentals, Fees and Charges payable by AIRLINE shall continue in force until the space is fully vacated.

ARTICLE 14: SURRENDER OF AIRLINE PREMISES

14.01 Surrender and Delivery. Upon termination or cancellation of this Agreement, AIRLINE shall promptly and peaceably surrender to CITY AIRLINE's Leased Premises and all improvements thereon to which CITY is entitled in good and fit condition, reasonable wear and tear excepted; provided, however, nothing in this Section shall be construed to modify the obligations of the parties set forth in [Article 10 and Article 11].

14.02 Removal of Property. AIRLINE shall have the right at any time during the Term of this Agreement to remove from the Airport its aircraft, tools, equipment, trade fixtures, and other personal property, title to which shall remain in AIRLINE, unless otherwise set forth in this Agreement, and shall remove such aircraft, tools, equipment, trade fixtures, and other personal property within thirty (30) business days following termination of this Agreement,

whether by expiration of time or otherwise, as provided herein, subject to any valid lien which CITY may have thereon for unpaid Rentals, Fees and Charges. AIRLINE shall not abandon any portion of its property at the Airport without the written consent of CITY. Any and all property not removed by AIRLINE within thirty (30) business days following the date of termination of this Agreement shall, at the option of CITY, (i) become the property of CITY at no cost to CITY; (ii) be stored by CITY, at no cost to CITY; or (iii) be sold at public or private sale at no cost to CITY. All of the AIRLINE's personal property located on the AIRLINE's Leased Premises is at the risk of the AIRLINE only, and CITY is not liable for damage to said personal property to the AIRLINE's Leased Premises, or to the said AIRLINE. Except as may be agreed to otherwise by CITY and AIRLINE, all CITY property damaged by or as a result of the removal of AIRLINE's property shall be restored by AIRLINE to the condition existing before such damage less reasonable wear and tear at AIRLINE's expense.

14.03 Holding Over. In the event AIRLINE continues to occupy the AIRLINE's Leased Premises beyond the term of this Agreement or any extension thereof without CITY's written renewal thereof, such holding over does not constitute a renewal or extension of this Agreement, but creates, upon the same terms and conditions, a tenancy from month to month which may be terminated at any time by CITY or AIRLINE by giving thirty (30) days written notice to the other party.

ARTICLE 15: ASSIGNMENT AND SUBLETTING AGREEMENTS

15.01 Assignment and Subletting by AIRLINE.

A. Except for an assignment to a parent, affiliate, or subsidiary, which is hereby authorized, AIRLINE may not at any time assign, transfer, convey, sublet, mortgage, pledge, or encumber its interest under this Agreement, or any part of the AIRLINE's Leased Premises, to any party including designated Affiliate Airlines that operate as a single entity at the Airport without the prior written approval of the CITY, which approval will not be unreasonably withheld. The above prohibition does not apply with respect to any company with which AIRLINE may merge or consolidate, or which may acquire substantially all of the AIRLINE's assets.

In the event that AIRLINE shall, directly or indirectly, assign, sell, hypothecate or otherwise transfer this Agreement, or any portion of AIRLINE's Leased Premises, without the prior written consent of the CITY except as allowed for above, the CITY, in its sole discretion may terminate this Agreement.

B. Except for a sublease to any company with which AIRLINE merges or consolidates, or acquires substantially all of the AIRLINE's assets, AIRLINE shall not sublease AIRLINE's Leased Premises without

the prior written consent of CITY, which consent may be withheld if CITY has substantially similar space available, but unleased, or if CITY can make such space available for lease within a reasonable time. Exclusive or preferential use of AIRLINE's Exclusive Use Premises or any part thereof, or preferential use of AIRLINE's Preferential Use Premises or any part thereof, by anyone other than AIRLINE or a Scheduled Air Carrier being handled by AIRLINE shall be deemed a sublease.

C. AIRLINE shall include with its request for permission to assign or sublease, a copy of the proposed assignment or sublease agreement, if prepared. In the event such proposed agreement has not been prepared, a written summary of the material terms and conditions to be contained in such agreement shall be included with AIRLINE's request for tentative approval by the CITY. The assignment or sublease agreement or written summary submitted with AIRLINE's request shall include the following information: (i) the term; (ii) the area or space to be assigned or subleased; (iii) the sublease rentals to be charged; and (iv) the provision that assignee or sub lessee must execute a separate operating agreement with CITY. Any other information reasonably requested by CITY pertaining to said sublease or assignment shall be promptly provided by AIRLINE. A fully executed copy of such sublease or assignment shall be submitted to CITY for final approval before occupancy of AIRLINE's Leased Premises, or any portion thereof, by the assignee or sub lessee.

D. In the event the Rentals, Fees and Charges for subleased premises exceed the Rentals, Fees and Charges payable by AIRLINE for said premises pursuant to this Agreement, AIRLINE shall pay to CITY the excess of the Rentals, Fees and Charges received from the sub lessee over that specified to be paid by AIRLINE herein; provided, however, AIRLINE may charge a reasonable fee for administrative costs, not to exceed fifteen percent (15%) of the specified sublease rental and such fee shall not be considered part of excess Rentals, Fees and Charges. AIRLINE may also charge a reasonable fee to others for the use of AIRLINE's capital equipment and to charge for use of utilities and other services being paid for by AIRLINE.

E. Nothing in this Article 15 shall be construed to release AIRLINE from its obligations under this Agreement, including but not limited to, the payment of Rentals, Fees and Charges provided herein.

ARTICLE 16: AVAILABILITY OF ADEQUATE FACILITIES

16.01 Declaration of Intent. The parties acknowledge the objective of CITY to offer to all Air Transportation Companies desiring to serve Airport access to the Airport and to provide adequate gate positions and space in the Terminal. Recognizing that physical and financial limitations may preclude timely expansion of the Terminal and

Aircraft Parking Apron areas to meet the stated requests of AIRLINE and/or such other Scheduled Air Carriers ("Requesting Airlines") for additional facilities, CITY hereby states its intent to pursue the objective of achieving an optimum balance in the overall utilization of Terminal and Aircraft Parking Apron areas to be achieved, if necessary, through sharing or reassigning, from time to time, of gate positions and other passenger handling facilities.

16.02 Accommodation of Requesting Airlines.

A. AIRLINE shall cooperate with CITY to accommodate the needs of a Requesting Airline by permitting such Requesting Airline to utilize AIRLINE's Preferential Leased Premises for the time period(s) necessary to permit passenger loading and unloading operations in conjunction with the scheduled operations of such Requesting Airline at times when the use of such facilities shall not interfere with AIRLINE's planned operations or those of its approved sub lessees, licensees or permittees. In determining if AIRLINE shall be required to accommodate a Requesting Airline, the CITY shall consider AIRLINE's capabilities, capacity, facilities and therefore, after taking into account AIRLINE's own requirements and contractual obligations, the compatibility of said Requesting Airline's proposed operations with those of AIRLINE, and the need for labor harmony. CITY shall not require AIRLINE to accommodate a Requesting Airline if CITY has unassigned gates which can reasonably accommodate the needs of said Requesting Airline. AIRLINE's accommodation of a Requesting Airline shall be subject to the following: 1) a written agreement between AIRLINE and Requesting Airline, approved in writing by CITY prior to the effective date thereof, 2) Requesting Airline enters into an agreement with CITY to operate at the Airport, and 3) a written agreement between AIRLINE and requesting Airline identifying indemnification and insurance requirements consistent with the terms of this Agreement.. In order to make sure that all users of Airport facilities will be treated equally and that AIRLINE will be properly reimbursed for the use of AIRLINE's Leased Premises, AIRLINE will compute prorated fees and charges for Exclusive and Preferential Use Premises based on flight and enplanement data of both airlines and may not charge more than 100% of the charges AIRLINE is responsible to pay to the CITY for the rights and privileges granted herein. AIRLINE may charge a reasonable fee for administrative costs, not to exceed fifteen percent (15%) of the specified fees and charges and such fee shall not be considered part of fees and charges. AIRLINE may also charge a reasonable fee to others for the use of AIRLINE's capital equipment and charge for use of utilities and other services being paid for by AIRLINE.

B. AIRLINE shall cooperate with CITY to accommodate other Air Transportation Companies from time to time, as deemed necessary by CITY for situations including, but not limited to unscheduled flights including charters, diversions due to weather, and other circumstances not otherwise accommodated or handled by a Signatory Airline, and scheduled flights for which the Scheduled Air Carrier has no assigned

gates.

Provided, however, AIRLINE shall not be required to accommodate such other Scheduled Air Carriers pursuant to this Paragraph 16.02.B. if all of AIRLINE's gate positions are occupied by AIRLINE's flights or flights of other Scheduled Air Carriers already being accommodated by AIRLINE at the time of said flight needing to be accommodated. For purposes of this provision, the overnight parking of AIRLINE's aircraft at a gate position or parking of AIRLINE's aircraft at a gate position other than between one (1) hour before arrival or one (1) hour after scheduled departure of AIRLINE's aircraft shall not be deemed occupation of said gate position. If AIRLINE accommodates such other Scheduled Air Carriers then said other Scheduled Air Carrier shall be required to vacate AIRLINE's gate position at least (1) hour prior to AIRLINE's next scheduled flight arrival/departure at said gate position. The accommodated carrier shall pay AIRLINE's reasonable costs incurred in removing AIRLINE's aircraft from or moving AIRLINE's aircraft to the gate positions.

C. Subject to the provisions of Sections 15.01 and 15.02, nothing contained in this Article shall prevent or prohibit AIRLINE from electing to enter into an agreement with other Scheduled Air Carriers authorized to operate at the Airport and desiring the joint use of AIRLINE's Leased Premises as provided in Article 15 herein with approval of CITY.

ARTICLE 17: GOVERNMENT INCLUSION

17.01 Government Agreements. This Agreement shall be subordinate to the provisions of any existing or future agreements between CITY and the United States Government or other governmental authority, relative to the operation or maintenance of the Aviation System, the execution of which has been or will be required as a condition precedent to the granting of Federal or other governmental funds for the development of the Aviation System, to the extent that the provisions of any such existing or future agreements are generally required by the United States or other governmental authority of other airports receiving such funds. CITY agrees to provide AIRLINE written advance notice of any provisions which would adversely modify the material terms of this Agreement.

17.02 Federal Government's Emergency Clause. All provisions of this Agreement shall be subordinate to the rights of the United States of America to operate the Aviation System or any part thereof during time of war or national emergency. Such rights shall supersede any provisions of this Agreement inconsistent with the operations of the Aviation System by the United States of America.

17.03 Nondiscrimination

A. AIRLINE for itself, its personal representatives, successors in interest, and assigns, as a part of the consideration hereof, does hereby agree as a covenant running with the land that (i) 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 AIRLINE's Leased Premises, (ii) in the construction of any improvements on, over, or under AIRLINE's Leased Premises 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 be otherwise subjected to discrimination, and (iii) AIRLINE shall use the AIRLINE's Leased Premises in compliance with all other requirements imposed by or pursuant to 14 CFR Part 152, Subpart E Non Discrimination in Airport Aid Program and Title VI of the Civil Rights Act of 1964 and 49 CFR, Subtitle A, Part 21, Nondiscrimination in Federally Assisted Programs of the Department of Transportation, and as said Title and Regulations may be amended.

B. AIRLINE acknowledges that the provisions of 49 CFR, Part 23, Disadvantaged Business Enterprises (DBE), as said regulations may be amended, and such other similar regulations may be enacted, may be applicable to the activities of AIRLINE under the terms of this Agreement, unless exempted by said regulations, and hereby agrees to comply with the Federal Aviation Administration and the U.S. Department of Transportation, in reference thereto. These requirements may include, but not be limited to, compliance with DBE participation goals, the keeping of certain records of good faith compliance efforts, which would be subject to review by the various agencies, the submission of various reports and, if so directed, the contracting of specified percentages of goods and services contracts to Disadvantaged Business Enterprises.

C. In the event of breach of any of the above nondiscrimination covenants, CITY shall have the right to cancel this Agreement after such action as the United States Government may direct to enforce this covenant has been followed and completed, including exercise or expiration of appeal rights.

17.04 Security AIRLINE must comply with, and require compliance by its sub lessees, if any, and both its and their respective contractors, suppliers of materials and furnishers of services, employees, agents, and business invitees, with all present, amended, and future laws, rules, regulations, or ordinances promulgated by the CITY, the Airport Security Plan ("ASP"), the Federal Aviation Administration ("FAA"), Department of Homeland Security ("DHS") or other governmental agencies to protect the security and integrity of the Secured Area ("SA"), the Air Operations Area ("AOA"), and the Security Identification Display Area ("SIDA"), as defined by the Airport, the FAA, and TSA, and to protect against access to the SA, AOA, and SIDA by unauthorized persons. Subject to the approval of the Director, the AIRLINE must adopt procedures to control and limit access to the SA, AOA, and SIDA

by the AIRLINE, its sub lessees, and its and their respective contractors, suppliers of materials and furnishers of services, employees, and business invitees in accordance with all present and future ASP, FAA, and DHS laws, rules, regulations, and ordinances. AIRLINE further agrees to indemnify, hold harmless, defend and insure the CITY, its officers, agents, and employees against the risk of legal liability for death, injury, or damage to persons or property, or fees and expenses, direct or consequential, arising from entry of the SA or SIDA permitted, allowed or otherwise made possible by AIRLINE, its sub lessees or its or their respective contractors, suppliers of materials and furnishers of services, employees, business invitees, agents, or any person under the direction of AIRLINE, which entry violates CITY, ASP, FAA, or DHS laws, rules, regulations, or ordinances or AIRLINE's Director-approved procedures for controlling access to the SA or SIDA as provided hereinabove. The AIRLINE must obtain employee identification badges for all personnel authorized by the AIRLINE to have access to the SA, AOA, or SIDA, in accordance with the provisions of Federal Aviation Regulations, 49CFR Part 1542, and other laws, rules, regulations and ordinances. AIRLINE must pay all fines associated with security breaches/infractions by AIRLINE or its sub lessees and its and their respective agents, officers, business invitees, and employees in the SA, AOA, or SIDA, regardless of whether the fine is assessed to CITY, Airport or AIRLINE and/or its sub lessees, and its or their respective agents, officers, business invitees or employees however AIRLINE may contest such fine in accordance with administrative procedures of the agency issuing the fine.

ARTICLE 18: GENERAL PROVISIONS

18.01 Subordination to Master Bond Ordinance

A. This Agreement and all rights granted to AIRLINE hereunder are expressly subordinated and subject to the lien and provisions of the pledges, transfer, hypothecation or assignment made by CITY in the Master Bond Ordinance No. 024163. CITY and AIRLINE agree that to the extent required by the Master Bond Ordinance No. 024163 or law, the holders of the Bonds or their designated representatives shall have the right to exercise any and all rights of CITY hereunder.

B. CITY shall notify AIRLINE in advance of any amendments or supplements to the Master Bond Ordinance No. 024163 that would materially alter the terms and provisions of this Agreement. CITY and AIRLINE shall use their commercially reasonable efforts to agree on the implementation of any such material amendments or supplements desired solely by CITY for its own purposes.

C. With respect to property leased by the CITY to AIRLINE hereunder which was or is to be acquired by the CITY with proceeds of Bonds, the interest on which is, or is intended to be, excludable from the gross

income of the holders of such Bonds for federal income tax purposes, the parties hereby covenant to protect the tax-exempt status of the Bonds.

18.02 Non-waiver. No waiver of default by either party of any of the terms, covenants, or conditions of this Agreement to be performed, kept and observed by the other party shall be construed to be or act as a waiver of any subsequent default of any of the terms, covenants and conditions to be performed, kept and observed by the other party and shall not be deemed a waiver of any right on the part of the other party to cancel this Agreement as provided herein.

18.03 Rights Non-Exclusive. Notwithstanding anything herein contained that may be or appear to the contrary, the rights, privileges and licenses granted under this Agreement, except in Exclusive Use Premises, are "non-exclusive" and CITY reserves the right to grant similar privileges to others.

18.04 Quiet Enjoyment.

A. CITY agrees that, so long as AIRLINE' s payment of Rentals, fees and Charges is timely and AIRLINE keeps all covenants and agreements contained herein, AIRLINE shall peaceably have and enjoy AIRLINE's Leased Premises and all rights, privileges and licenses of the Airport, its appurtenances and facilities granted herein, subject to the terms and conditions herein contained.

B. Consistent with the nature of AIRLINE's business, AIRLINE agrees that occupancy of AIRLINE's Leased Premises will be lawful and quiet and that it will not knowingly use or permit the use of AIRLINE's Leased Premises in any way that would violate the terms of this Agreement, create a nuisance, or disturb other tenants or the general public. AIRLINE shall be responsible for the activity of its officers, employees, agents, and others under its control with respect to this provision.

18.05 Performance. The parties expressly agree that time is of the essence in this Agreement. Failure by a party to complete performance within the time specified, or within a reasonable time if no time is specified herein, shall relieve the other party, without liability, of any obligation to accept such performance.

18.06 Aviation Rights. CITY reserves unto itself, its successors, and assigns for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Airport, including AIRLINE's Leased Premises, for navigation or flight in the said airspace for landing on, taking off from, or operating at the Airport.

18.07 Rules and Regulations.

A. AIRLINE, its officers, employees, agents and others under its control shall observe and obey all laws, regulations, and orders of the Federal, state, county and municipal governments which may be applicable to AIRLINE'S operations at the Airport.

B. CITY may from time to time adopt, amend or revise reasonable and non-discriminatory rules and regulations for the conduct of operations at the Airport, for reasons of safety, health, preservation of the property or for the maintenance of the good and orderly appearance of the Airport. AIRLINE, its officers, employees, agents, and others under its control shall faithfully comply with and observe such rules and regulations, except as they may conflict with the terms and provisions of this Agreement, or the regulations of another governmental authority having appropriate jurisdiction.

C. AIRLINE shall be strictly liable and responsible for obtaining, maintaining current, and fully complying with, any and all permits, licenses, and other governmental authorizations, however designated, as may be required at any time throughout the entire term of this Agreement by any Federal, state, or local governmental entity or any court of law having jurisdiction over AIRLINE or AIRLINE's operations and activities at the Airport.

18.08 Inspection. AIRLINE shall allow CITY's authorized representatives access to AIRLINE'S Leased Premises for the purpose of examining and inspecting said premises; for purposes necessary, incidental to, or connected with the performance of its obligations under this Agreement; or, in the exercise of its governmental functions. Except in the case of an emergency, upon reasonable advanced notice, CITY shall conduct such inspections during reasonable business hours with reasonable notice and in the presence of AIRLINE'S representative.

18.09 No Individual Liability. No member, officer, agent, director, or employee of CITY or AIRLINE shall be charged personally or held contractually liable by or to the other party under the terms or provisions of this Agreement or because of any breach thereof or because of its or their execution or attempted execution.

18.10 Relationship of Parties. Nothing contained herein shall be deemed or construed by the parties hereto, or by any third party, as creating the relationship of principal and agent, partners, joint venturers, or any other similar such relationship between the parties hereto. It is understood and agreed that neither the method of computation of rentals, fees and charges, nor any other provisions contained herein, nor any acts of the parties hereto, creates a relationship other than the relationship of landlord and tenant.

18.11 Capacity to Execute. The individuals executing this Agreement personally warrant that they have full authority to execute this Agreement on behalf of the entity for whom they are acting herein.

18.12 Savings. The parties hereto acknowledge that they have thoroughly read this Agreement, including any exhibits or attachments hereto and have sought and received whatever competent advice and counsel was necessary for them to form a full and complete understanding of all rights and obligations herein.

The parties further acknowledge that this Agreement is the result of negotiations between the parties and shall not be construed against CITY by reason of the preparation of this Agreement by CITY.

18.13 Successors and Assigns Bound. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

18.14 Incorporation of Exhibits. All exhibits and attachments referred to in this Agreement are intended to be and are hereby specifically made a part of this Agreement.

18.15 Titles. Paragraph titles are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope or extent of any provision of this Agreement.

18.16 Severability. In the event that any covenant, condition or provision of this Agreement is held to be invalid by any court of competent jurisdiction, the invalidity of such covenant, condition, or provision shall not materially prejudice either CITY or AIRLINE in their respective rights and obligations contained in the valid covenants, conditions or provisions of this Agreement.

18.17 Amendments. This Agreement constitutes the entire agreement between the parties. Except as provided in Sections 4.01 and 8.03, no amendment, modification or alteration of the terms of this Agreement shall be binding unless the same be in writing, dated subsequent to the date hereof, and duly executed by the parties hereto.

18.18 Most Favored Nations. CITY covenants and agrees not to enter into any agreement with any Air Transportation Company which (i) makes substantially similar use of the Airport, (ii) operates substantially similar aircraft, and (iii) utilizes substantially similar facilities to that of AIRLINE, which contains more favorable terms than this Agreement, or to grant to any such Scheduled Air Carrier rights or privileges with respect to the Airport which are not afforded to AIRLINE hereunder unless substantially the same terms, rights, privileges and facilities are

concurrently made available to AIRLINE.

18.19 Other Agreements. Other than as set forth herein, nothing contained in this Agreement shall be deemed or construed to nullify, restrict or modify in any manner the provisions of any other Agreement or contract between CITY and AIRLINE authorizing the use of the Airport, its facilities and appurtenances.

18.20 Approvals

A. Whenever this Agreement calls for approval by CITY, such approval shall be evidenced by the written approval of the Director.

B. Any approval required by either party to this Agreement shall not be unreasonably withheld or delayed.

18.21 Notices

(A) All notices, demands, requests, or replies provided for or permitted under this Agreement, by either party must be in writing and must be delivered by one of the following methods: (1) by personal delivery; (2) by deposit with the United States Postal Service as certified or registered mail, return receipt requested, postage prepaid; (3) by prepaid telegram; (4) by deposit with an overnight express delivery service, for which service has been prepaid; or (5) by fax transmission.

(B) Notice deposited with the United States Postal Service in the manner described above will be deemed effective two (2) business days after deposit with the United States Postal Service. Notice by telegram or overnight express delivery service will be deemed effective one (1) business day after transmission to the telegraph company or overnight express carrier. Notice by fax transmission will be deemed effective upon transmission, with proof of confirmed delivery.

(C) All such communications must only be made to the following:

If to the City:
Director of Aviation
City of Corpus Christi
1000 International Drive
Corpus Christi, TX 78406
Fax: (361) 289-0251

If to the Airline:

Name
Address
City, State, Zip
Fax:

(D) Either party may change the address to which notice is sent by using a method set out above. The AIRLINE shall notify the CITY of an address change within ten (10) business days after the address is changed.

18.22 Agent For Service. It is expressly understood and agreed that if AIRLINE is not a resident of the State of Texas, or is an association or partnership without a member or partner resident of said state, or is a foreign corporation not licensed to do business in Texas, then in any such event, AIRLINE shall appoint an agent for the purpose of service of process in any court action between it and CITY arising out of or based upon this Agreement. AIRLINE shall immediately notify CITY, in writing, of the name and address of said agent. Such service shall be made as provided by the laws of the State of Texas for service upon a non-resident engaging in business in the State. It is further expressly agreed, covenanted and stipulated that, if for any reason, such service of process is not possible, as an alternative method of service of process, AIRLINE may be personally served out of the State of Texas by the registered mailing of such service at the address set forth in Section 18.21.

18.23 Governing Law. This Agreement is to be read and construed in accordance with the laws of the State of Texas. The parties hereto agree that any court of proper jurisdiction presiding in Nueces County, Texas shall be the forum for any actions brought hereunder.

18.24 Force Majeure. Except as herein provided, neither CITY nor AIRLINE shall be deemed to be in default hereunder if either party is prevented from performing any of the obligations, other than the payment of Rentals, Fees and Charges hereunder, by reason of strikes, boycotts, labor disputes, embargoes, shortages of energy or materials, acts of God, acts of the public enemy, weather conditions, riots, rebellion, war, acts of terrorism, or sabotage, or any other circumstances for which it is not responsible or which are not within its control.

18.25 Entire Agreement. It is understood and agreed that this instrument contains the entire agreement between the parties hereto. It is further understood and agreed by AIRLINE and CITY that CITY and CITY' s agents and AIRLINE and AIRLINE'S agents have made no representations or promises with respect to this Agreement or the making or entry into this Agreement, except as in this Agreement expressly set forth, and that no claim or liability or cause for termination shall be asserted by either party, and neither party shall be liable by reason of, the breach of any representations or promises not expressly stated in this Agreement. Any other written or verbal agreement is expressly waived by AIRLINE and CITY.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

ATTEST:

CITY OF CORPUS CHRISTI

ATTEST:

CITY OF CORPUS CHRISTI

Armando Chapa

Printed Name: Armando Chapa

Title: City Secretary

APPROVED AS TO LEGAL FORM THIS 16th DAY OF

Angel R. Escobar

City Manager

Printed Name: Angel R. Escobar

July, 2009:

Elizabeth R. Hundley

Assistant City Attorney
For City Attorney

Printed Name: ELIZABETH R. HUNDLEY

Date: July 16, 2009

ATTEST:

Randy Gillespie

Printed Name: Randy Gillespie

Title: Mgr. Properties

Date: 7/10/09

SOUTHWEST AIRLINES CO.

Ron Ricks

Printed Name: Ron Ricks

Title: Exec. V.P. Corporate Services

Date: 7/10/09

Ord. 028237 AUTHORIZED

BY COUNCIL 07/21/09

A.C.
SECRETARY M.H.

EXHIBIT B
AIRLINE'S LEASED PREMISES

SOUTHWEST AIRLINES

The Leased Premises, including Exclusive Use, Preferential Use, and Joint Use Premises, for the AIRLINE are described below:

- | | |
|------------|--|
| Fig. CI&C2 | 2837.83 Square feet of ticket counter, office and baggage makeup space for the Exclusive Use of the Airline |
| Fig. C3 | 427.50 Square feet of operational space for Exclusive Use of the Airline |
| Fig. C4 | 2293.47 Square feet of passenger hold room space for Preferential Use of the Airline. |
| Fig. C6 | 6002.53 Square feet of space for baggage drop and baggage claim for Joint Use of Airline. |
| Fig. C9 | 1 Apron position(s) for Preferential Use of the Airline |

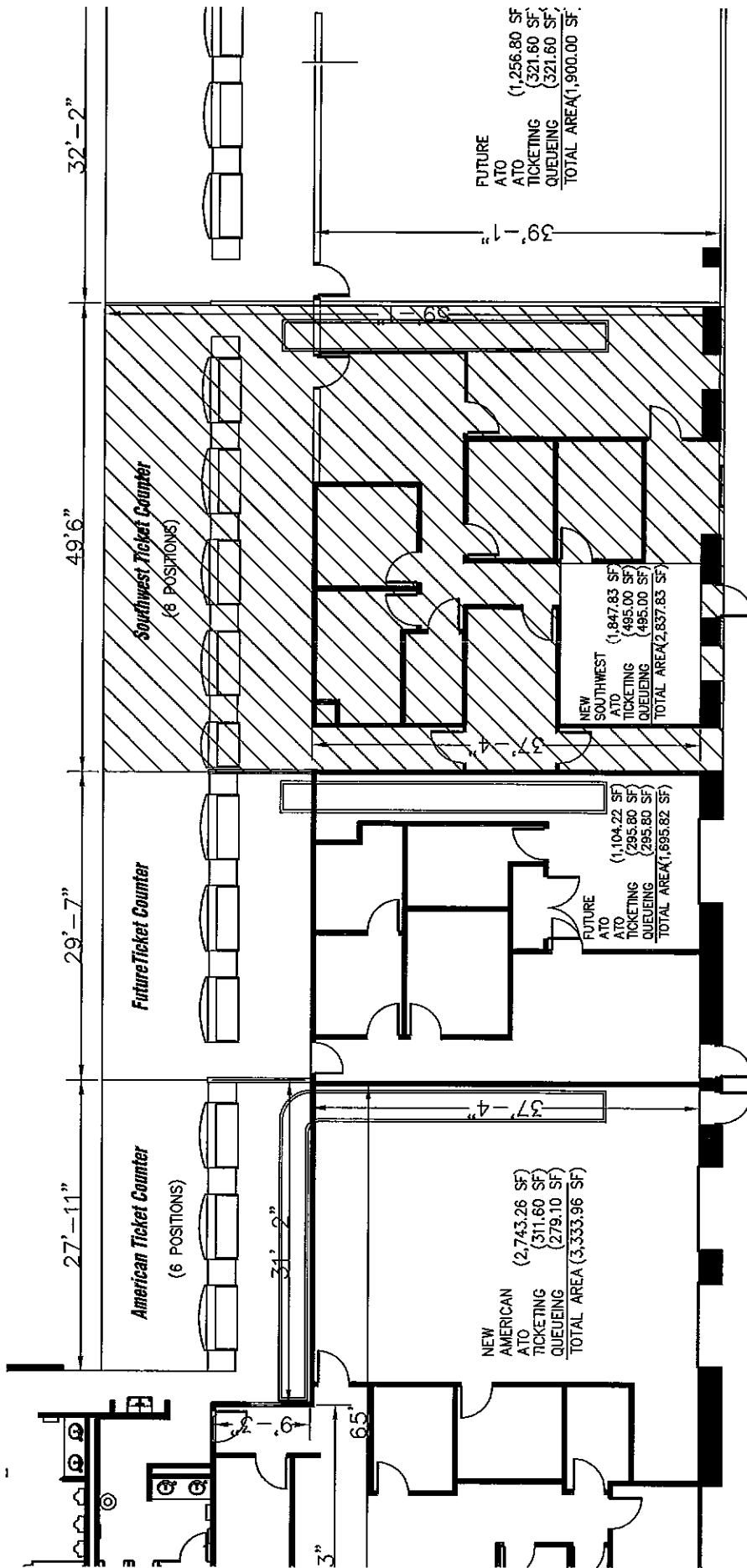
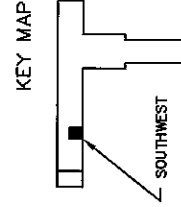
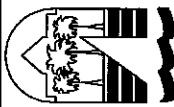


FIGURE C1
LEASED SPACE
SOUTHWEST ATO AREA

CORPUS CHRISTI
INTERNATIONAL AIRPORT
2009 AIRLINE LEASE AGREEMENT

NOTE: ALL MEASUREMENTS TO DETERMINE THE AREA OF EXCLUSIVE SPACE LEASED SHALL BE FROM THE INTERIOR OF THE EXTERNAL WALLS AND FROM THE CENTERLINE TO CENTERLINE OF EACH INTERIOR WALL, OR, IN THE ABSENCE OF INTERIOR WALLS, THE POINT OF SAID CENTERLINE WOULD BE LOCATED IF SUCH INTERIOR WALL EXISTED.





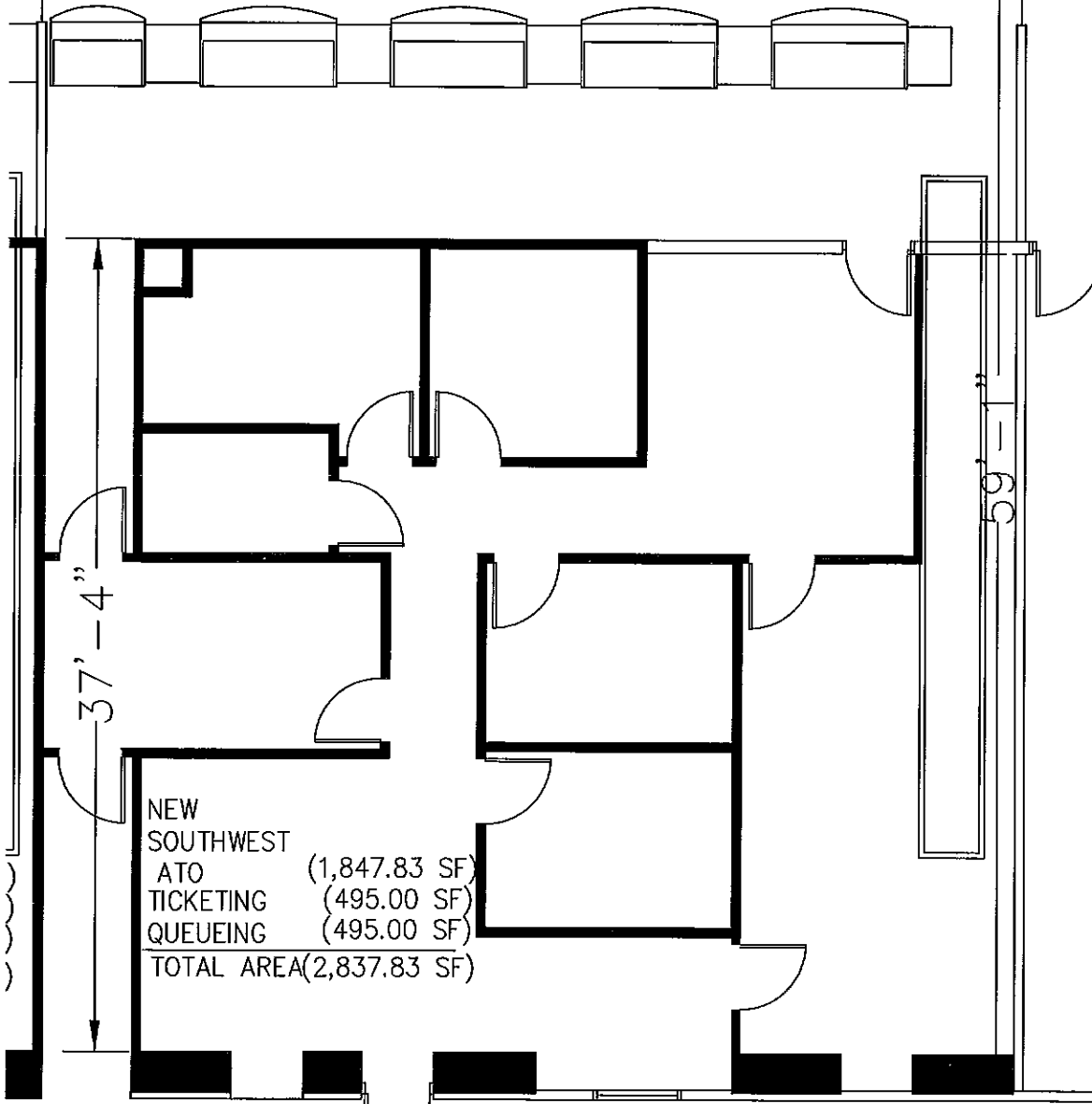
**CITY OF
CORPUS CHRISTI
INTERNATIONAL AIRPORT
AVIATION DEPT.**

DWN. BY: BEN_VASQUEZ
APPROVED BY: ROY
DATE: 3-2009
PROJ. # 2009_AIRLINE_LEASE

49'6"

Southwest Ticket Counter

(8 POSITIONS)

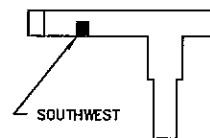


**FIGURE C2
LEASED SPACE
SOUTHWEST ATO AREA
CORPUS CHRISTI
INTERNATIONAL AIRPORT
2009 AIRLINE LEASE AGREEMENT**

NOTE: ALL MEASUREMENTS TO DETERMINE THE AREA OF EXCLUSIVE SPACE LEASED SHALL BE FROM THE INTERIOR OF THE EXTERNAL WALLS AND FROM THE CENTERLINE TO CENTERLINE OF EACH INTERIOR WALL, OR, IN THE ABSENCE OF INTERIOR WALLS, THE POINT OF SAID CENTERLINE WOULD BE LOCATED IF SUCH INTERIOR WALL EXISTED.



KEY MAP



**CITY OF
CORPUS CHRISTI
INTERNATIONAL AIRPORT
AVIATION DEPT.**

DWN. BY:	BEN_VASQUEZ
APPROVED BY:	ROY
DATE:	3-2009
PROJ. #	2009_AIRLINE_LEASE

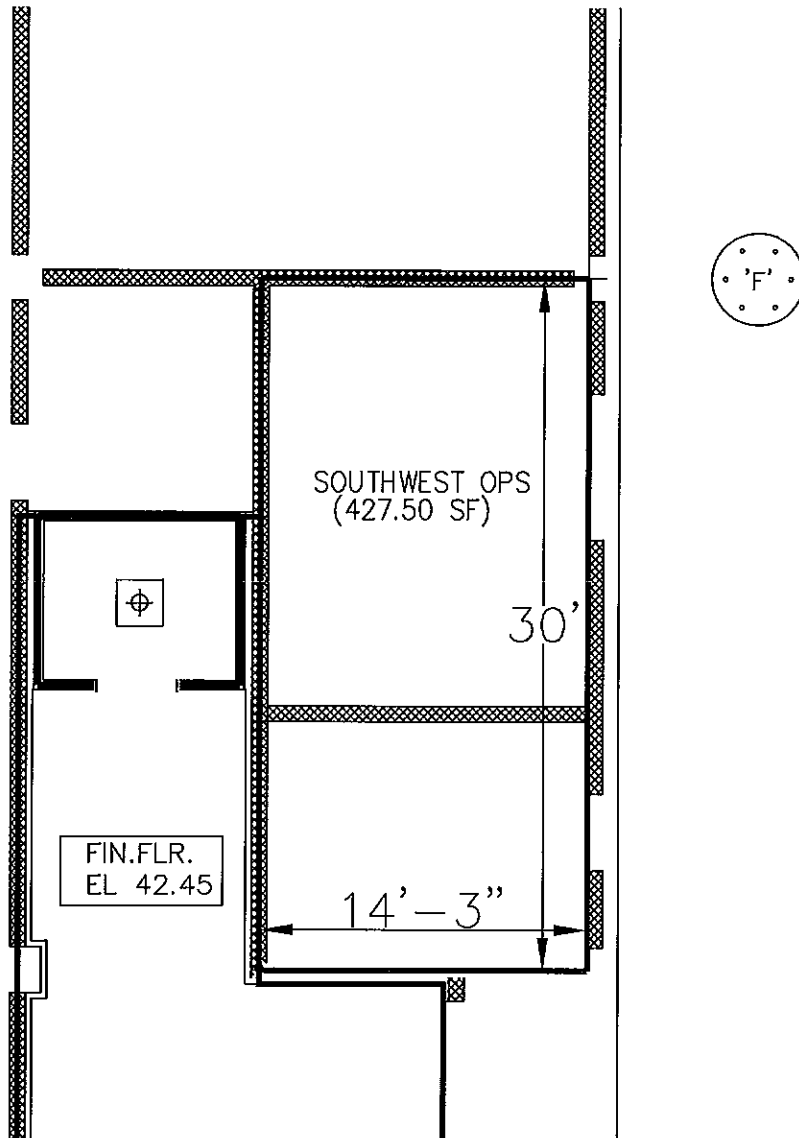
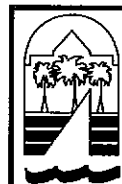
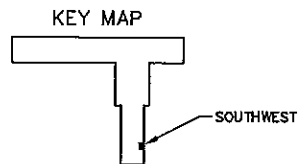


FIGURE C3
LEASED SPACE
SOUTHWEST OPS AREA

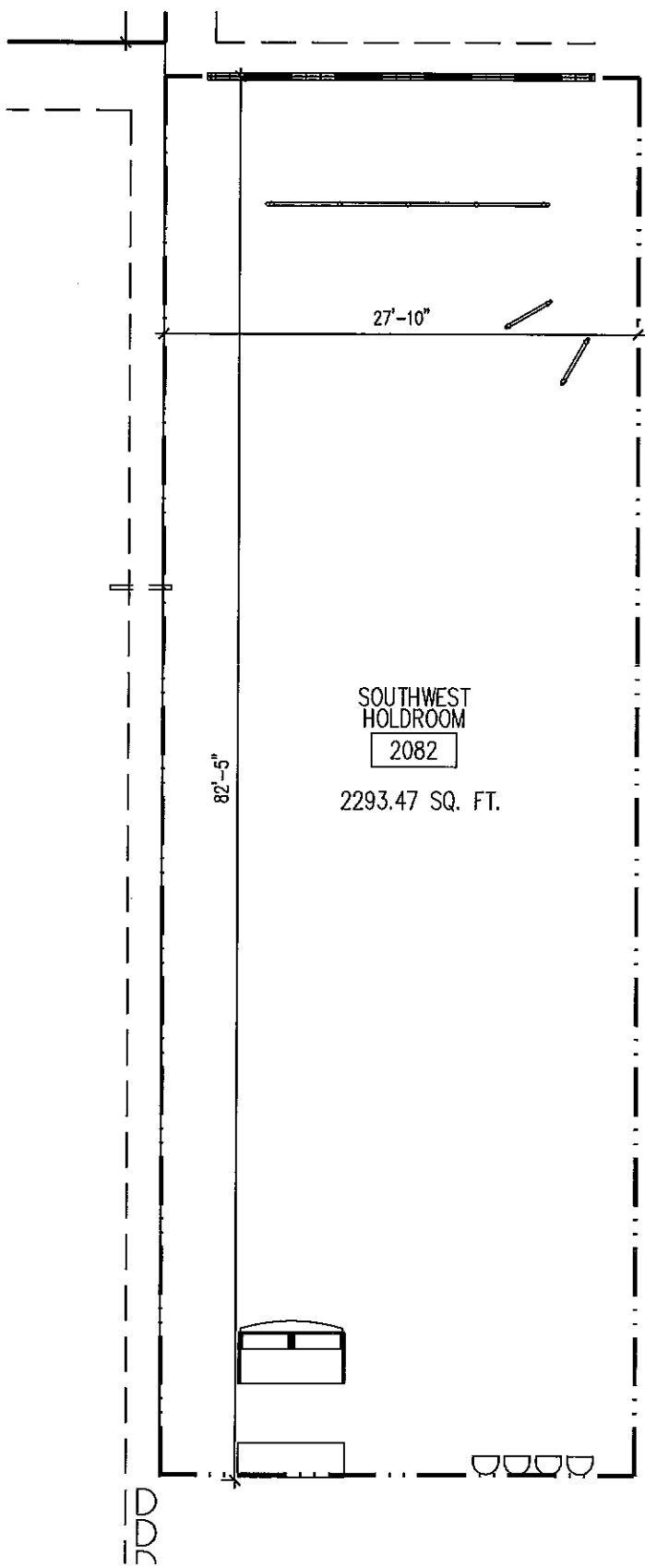
CORPUS CHRISTI
INTERNATIONAL AIRPORT
2009 AIRLINE LEASE AGREEMENT

NOTE: ALL MEASUREMENTS TO DETERMINE THE AREA OF EXCLUSIVE SPACE LEASED SHALL BE FROM THE INTERIOR OF THE EXTERNAL WALLS AND FROM THE CENTERLINE TO CENTERLINE OF EACH INTERIOR WALL, OR, IN THE ABSENCE OF INTERIOR WALLS, THE POINT OF SAID CENTERLINE WOULD BE LOCATED IF SUCH INTERIOR WALL EXISTED.



CITY OF
CORPUS CHRISTI
INTERNATIONAL AIRPORT
AVIATION DEPT.

DWN. BY: BEN_VASQUEZ
APPROVED BY: ROY
DATE: 3-2009
PROJ. # 2009_AIRLINE_LEASE
SOUTHWEST\5-02-LEASE\C4-OPS-AREA



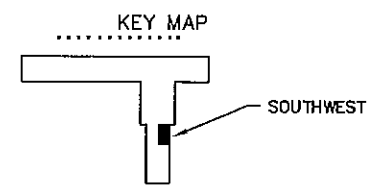
SOUTHWEST AIRLINE

HOLDROOM 2293.47 SF

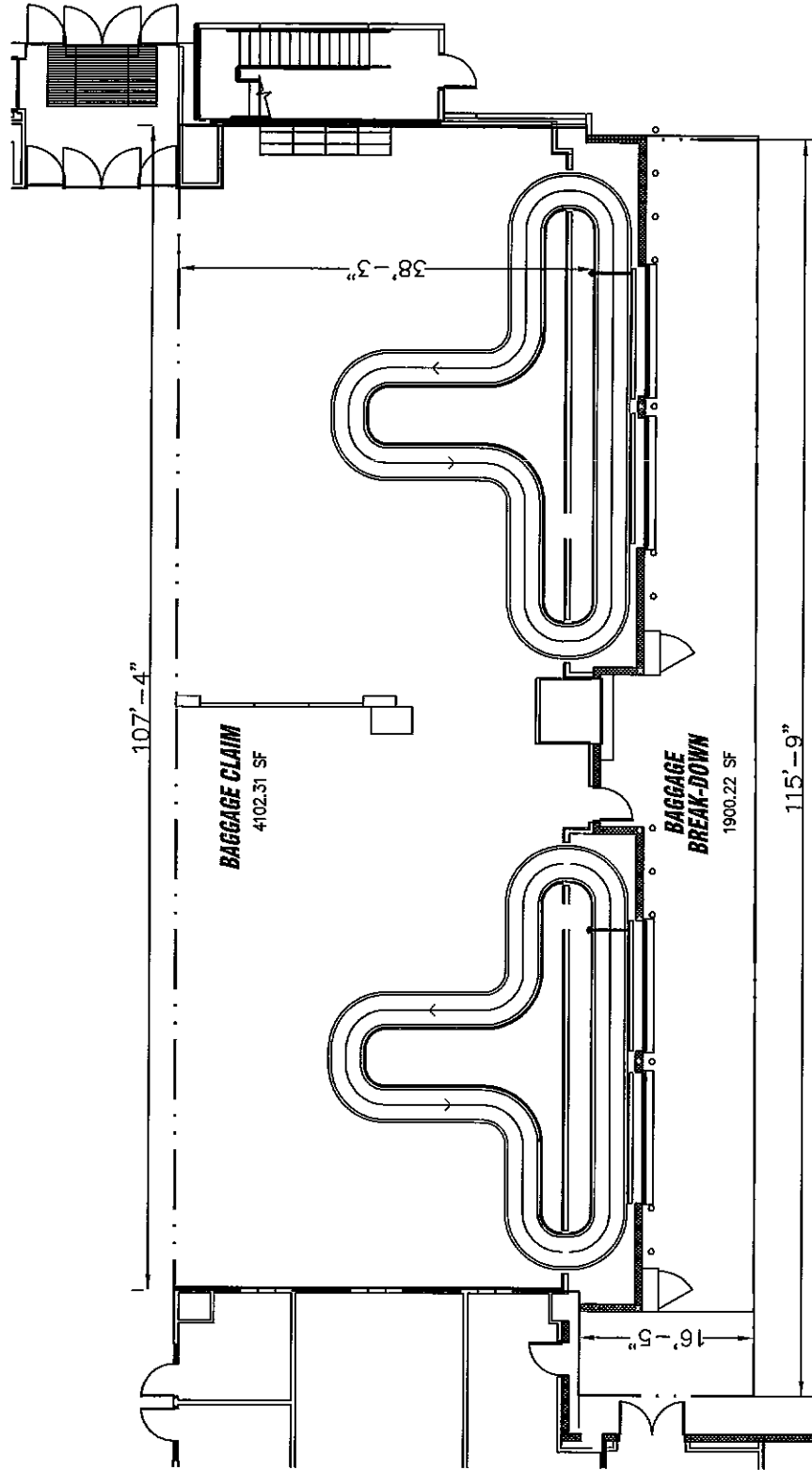
SOUTHWEST
HOLDROOM
2082
2293.47 SQ. FT.

FIGURE C4
LEASED SPACE
SOUTHWEST HOLDROOM
CORPUS CHRISTI
INTERNATIONAL AIRPORT
2009 AIRLINE LEASE AGREEMENT

NOTE: ALL MEASUREMENTS TO DETERMINE THE AREA OF EXCLUSIVE SPACE LEASED SHALL BE FROM THE INTERIOR OF THE EXTERNAL WALLS AND FROM THE CENTERLINE TO CENTERLINE OF EACH INTERIOR WALL, OR, IN THE ABSENCE OF INTERIOR WALLS, THE POINT OF SAID CENTERLINE WOULD BE LOCATED IF SUCH INTERIOR WALL EXISTED.



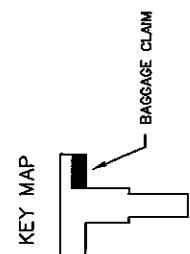
 CITY OF CORPUS CHRISTI INTERNATIONAL AIRPORT AVIATION DEPT.	DWN. BY: BEN_VASQUEZ
	APPROVED BY: ROY
	DATE: 3-2009
	PROJ. # 2009_AIRLINE_LEASE

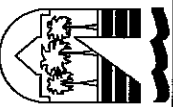


BAGGAGE CLAIM AREA	4102.31 SF
BAGGAGE BREAK-DOWN	1900.22 SF
TOTAL	6002.53 SF

FIGURE C6
 FUTURE LEASE
 BAGGAGE CLAIM AREA
 CORPUS CHRISTI
 INTERNATIONAL AIRPORT
 2009 AIRLINE LEASE AGREEMENT
 EFFECTIVE _____

NOTE: ALL MEASUREMENTS TO DETERMINE THE AREA OF EXCLUSIVE SPACE LEASED SHALL BE FROM THE INTERIOR OF THE EXTERNAL WALLS AND FROM THE CENTERLINE TO CENTERLINE OF EACH INTERIOR WALL, OR, IN THE ABSENCE OF INTERIOR WALLS, THE POINT OF SAID CENTERLINE WOULD BE LOCATED IF SUCH INTERIOR WALL EXISTED.





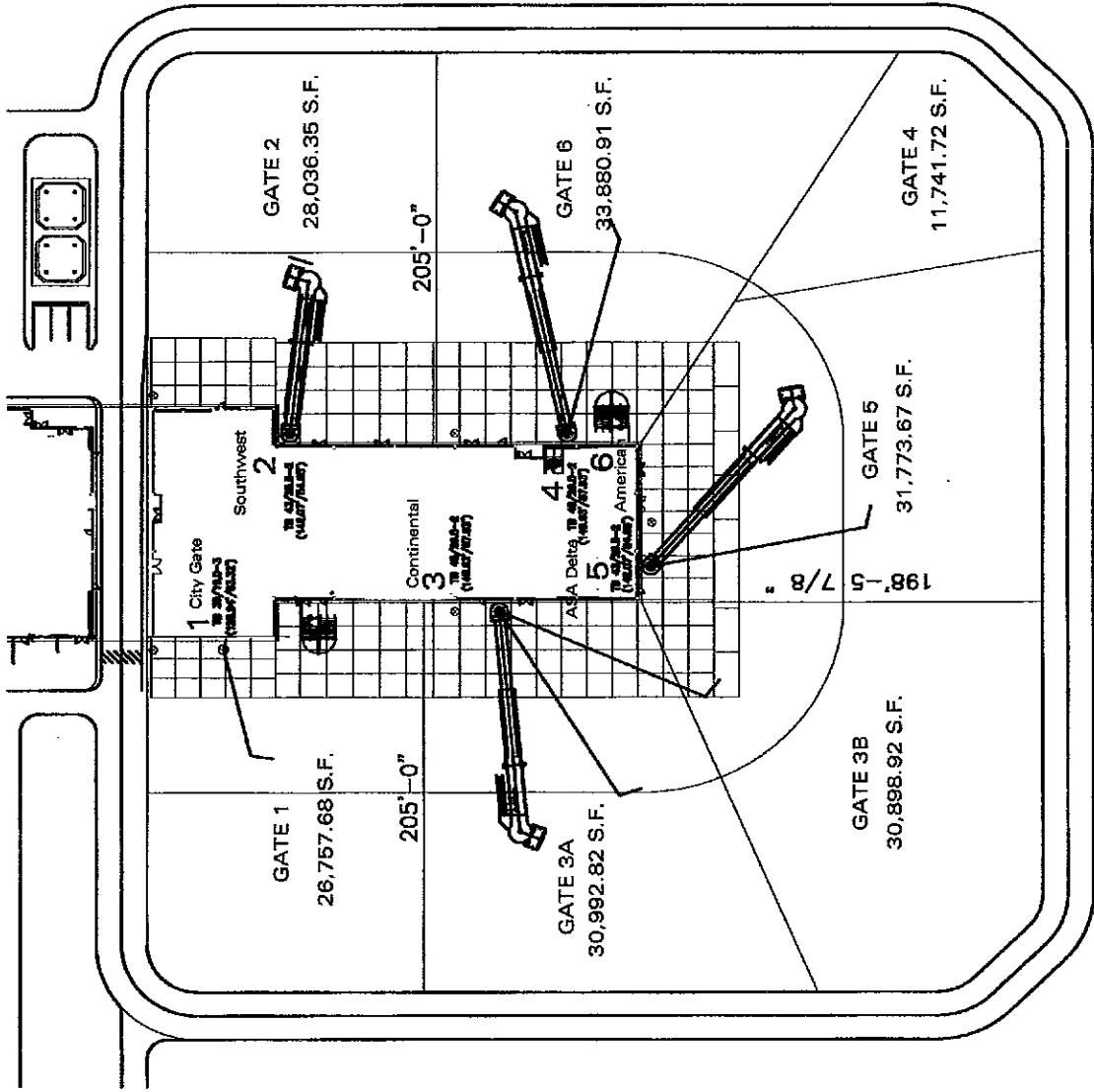
**CITY OF
CORPUS CHRISTI
INTERNATIONAL AIRPORT
AVIATION DEPT.**

DWN. BY: BEN_VASQUEZ
 APPROVED BY: ROY
 DATE: 3-2009
 PROJ. # 2009_AIRLINE_LEASE
 SOUTHWESTA5-09-LEASE,C7-BAGGAGE

Corpus Christi International Airport

PREFERENTIAL USE OF APRON POSITIONS

POSITION #	AIRLINE	TYPE OF AIRCRAFT
#1	CGIA	
#2	SOUTHWEST	737
#3A	CORV EXPRESS	ATR 72-60
#3B	CONTINENTAL	MD-80/737-300
#4	AMERICAN EAGLE	ERJ
#5	AMERICAN EAGLE	ATR 72
#6	DELTA/JASA	CRJ



CITY OF CORPUS CHRISTI
CORPUS CHRISTI INTERNATIONAL AIRPORT
CORPUS CHRISTI, TEXAS

SCALE	N/A
Drawn by	Victor C
REV	
Date	8/29/03
Sheet No.	1

PROPOSED AIRLINE PARKING POSITIONS
FIGURE C9

EXHIBIT D

DESIGNATION OF RESPONSIBILITIES FOR OPERATION AND MAINTENANCE Need to redo with gates as joint use

	EXCLUSIVE USE			JOINT USE		AIRLINE PREFERENTIAL USE	
	Ticket Counters	Offices & Baggage Makeup	Operations Area	Baggage Claim & Conveyor, & Ticket Lobby	Security Screening	Loa d i n g B r i d g e s	Apron Area
1. Air Conditioning							
a. Maintenance	C	C	A	C	C	C	N/A
b. Operation	C	C	A	C	C	A	N/A
c. Chilled Air Distribution	C	C	A			N/A	N/A
2. Heating							
a. Maintenance	C	C	A	C	C	C	N/A
b. Operation	C	V	A	C	C	A	N/A
c. Warm Air Distribution	C	C	A	C	C	N/A	N/a
3. Lighting							
a. Bulb & Tube Replacement	C	A	A	C	C	C	C
b. Maintenance	C	A	A	C	C	C	C
4. Electrical Maintenance /1	A	A	A	C	C	C	C
5. Water							
a. Distribution	N/A	C	C	C	C	C	C
b. Fixtures	N/A	A	A	C	C	C	C
6. Sewage							
a. Distribution	N/A	C	C	C	C	N/A	N/A
b. Fixtures	N/A	A	A	C	C	N/A	N/A
7. Maintenance Structure							
a. Other than Structure	A	A	A	C	C	C	N/A
b. Structure	C	C	C	C	C	C	C
c. Exterior	C	C	C	C	C	C	N/A
8. Custodial Service	A	A	A	C	C	C	A
9. Window Cleaning							
a. Exterior	N/A	C	C	C	C	C	N/A
b. Interior	N/A	A	A	C	C	C	N/A

NOTES: A - AIRLINE, C - City, N/A - Not Applicable.
 /1 AIRLINE shall be responsible for any electrical fixtures or services installed by AIRLINE. All areas not part of AIRLINE's Exclusive Use Premises shall be CITY's responsibility; provided, however, CITY shall not be responsible for any systems or services installed by AIRLINE, or systems and services installed by CITY, but modified by AIRLINE, unless otherwise agreed to by the parties hereto.

EXHIBIT E

MONTHLY STATISTICAL REPORT

MONTH and YEAR	AIRLINE	AFFILIATE AIRLINE

Passenger Traffic

CATEGORY	AIRLINE	AFFILIATE
Number of Enplaned Passengers		
Number of Enplaned Rev. Passengers		
Number of Enplaned Non-Rev. Passengers		
Number of Deplaned Passengers		
Number of Deplaned Rev. Passengers		
Number of Deplaned Non-Rev. Passengers		

Landing Data

Aircraft Type	Airline or Affiliate	Number of Landings for the Month	Gross Landing Weight per Aircraft Type	Total Seats Available for Month	Total Weight per Aircraft Type
Total Seats Available					
Total Landing Weight for Month					
Landing Rate					\$
Total Due for Landing Fees					\$
Cargo					
Total Freight			Total Mail		
Enplaned		Deplaned		Enplaned	Deplaned
LOAD FACTOR for the Month:			Signature of Company Official		

**EXHIBIT F
TERMINAL EQUIPMENT**

The following is a list of Terminal Equipment that may be in the AIRLINE's Leased Premises and is owned by the CITY and is for the use of the Airlines:

- Passenger Loading Bridges
- Potable Water Units for Loading Bridges
- Passenger Lift
- MUFIDS
- PA System
- Podiums

**EXHIBIT G-1
AIRPORT OPERATING FUND 4610 REQUIREMENTS**

FY 10

AIRPORT DIVISIONS	Total Budget	O&M Expenditures	Capital Outlay
Airfield	458,456	443,271	15,185
Facilities	334,755	334,755	0
Custodial Maintenance	534,805	534,805	0
Parking Lot	405,424	397,224	8,200
Building Maint	1,863,324	1,863,324	0
Public Safety	1,537,660	1,512,660	25,000
Operations	503,326	490,826	12,500
TOTAL Direct O&M	5,637,750	5,576,865	60,885
Administration	1,010,430	1,010,430	0
Operating Transfers:			
City Administration	341,534		
Other Interfund Charges	16,872		
		358,406	
TOTAL Indirect O&M	1,368,836		
=====			
TOTAL O&M REQUIREMENT	\$ 7,006,586	\$ 6,945,701	
Operating Reserve Fund - Coverage Reqt.	(35,580)		
Debt Service - Other	423,206		
Debt Service - 2000 Bonds	509,156		
		896,783	
=====			
TOTAL FUND 4610 REQUIREMENTS	\$ 7,903,368	\$ 7,842,483	
Aviation Capital Reserve Fund Transfer	(151,956)		
TOTAL BUDGET FOR FUND 4610	\$ 7,751,412		
<u>Note Disclosure Only:</u>			
PFC (2) Fund 4621			
Debt Service - 2000 Bonds Series A & B	\$ 1,076,810		

EXHIBIT G-1.1
AIRPORT OPERATING FUND REVENUES
FY 10 Proposed

Acct #	Account Description	Budget	Airline Payments	Airfield Credit	Terminal Credit	Aviation Dept Revenues	
320000	Landing fees	636,000	100%	-	-	-	
320010	Airline space rental	1,026,000	100%	1,026,000	-	-	
320020	Apron charges	228,000	100%	228,000	-	-	
320030	Fuel flowage fees	96,000	100%	96,000	-	-	
320040	Cargo Facility Rental	19,404	-	-	-	19,404	
320100	Resale-Electric Power-Term	90,000	-	-	90,000	-	
320120	Fixed based operator revenue	120,000	100%	120,000	-	-	
320130	Security service	293,616	100%	293,616	-	-	
320135	Airline Janitorial Services	38,244	-	-	38,244	-	
320200	Agricultural leases	81,005	-	-	-	81,005	
320230	Rent-commercial non-aviation	79,205	-	-	-	79,205	
320300	Gift shop concession	115,272	-	-	115,272	-	
320310	Auto rental concession	1,120,000	-	-	1,120,000	0%	
320340	Restaurant concession	94,000	-	-	94,000	-	
320360	Automated teller machines	12,000	-	-	12,000	-	
320380	Telephone concessions	-	-	-	-	-	
320390	Advertising concession	53,165	-	-	53,165	-	
320420	Airport Badging Fees	12,000	-	-	-	12,000	
320450	TSA-Check Point Fees	121,511	-	-	121,511	-	
320460	Terminal Space Rental-Other	420,358	-	-	420,358	-	
320470	TSA Buildout Fee	-	-	-	-	-	
320500	Parking lot	1,310,500	85.0%	1,113,925	0.0%	196,575	
320510	Parking fines-Airport	900	-	-	-	900	
320520	Premium Covered Parking	657,000	3%	19,710	5%	32,850	
320560	Rent-a-car parking	43,680	-	-	-	43,680	
320570	Rent-a-car Security Fee	190,000	-	-	-	190,000	
320610	Trash hauling - caterer	2,664	-	-	-	2,664	
320650	Ground transportation	117,500	100%	-	-	117,500	
320710	Other revenue	1,200	-	-	-	1,200	
340900	Interest on investments	70,000	-	-	-	70,000	
343500	Oil and gas leases	114,000	10%	11,400	-	102,600	
343501	Oil and gas leases-Intendent	14,400	10%	1,440	-	12,960	
350440	Trsf from Stores Fund	-	0%	-	-	-	
343600	A/R Finance Charges	-	-	-	-	-	
	TOTAL REVENUE	\$ 7,177,624		\$ 2,183,616	\$ 1,362,475	\$ 2,100,064	\$ 1,531,469

**EXHIBIT G-2
COST CENTER ALLOCATIONS**

FY 10

DIRECT COST CENTERS	Direct O&M	Indirect O&M	Debt Service	TOTAL COSTS
Terminal Security	228,447	55,708	-	284,155
Airfield	1,804,323	439,998	50,303	2,294,624
Terminal	2,376,896	579,625	441,878	3,398,399
Parking	736,756	179,664	149,746	1,066,166
Other	405,783	98,953	112,523	617,259
Total	\$ 5,552,205	\$ 1,353,948	\$ 754,450	\$ 7,660,603
Source Exhibit	G-2.1	G-2.1	G-2.2	

**EXHIBIT G-2.1
ALLOCATION OF O&M EXPENSES**

**ALLOCATION OF DIVISION
BUDGET TO COST CENTERS**

FY 10

	**							Total Direct O&M	% of Direct O&M	Admin	Operating Transfers	TOTAL O&M
	Airfield	Facilities	Custodial	Parking	Bldg Maint	P. Safety	Operations					
COST CENTERS												
Terminal Security	0.0%	0.0%	1.0%	0.0%	1.0%	14.0%	0.0%	228,447	4.1%	45,028	10,680	284,155
Airfield	90.0%	33.0%	0.0%	0.0%	23.0%	42.0%	50.0%	1,804,323	32.5%	355,642	84,356	2,244,321
Terminal	0.0%	46.0%	95.0%	0.0%	69.0%	27.0%	10.0%	2,376,896	42.8%	468,499	111,125	2,956,521
Parking	0.0%	10.0%	2.0%	100.0%	5.0%	4.0%	25.0%	736,756	13.3%	145,219	34,445	916,420
Other <small>(ads, apron, ARFF, GA)</small>	10.0%	11.0%	2.0%	0.0%	2.0%	13.0%	15.0%	405,783	7.3%	79,982	18,971	504,736
Division Budget	414,238	490,892	511,385	407,286	1,767,288	1,469,000	492,116	5,552,205		1,094,370	259,578	6,906,153
Terminal Security	-	-	5,114	-	17,673	205,660	-	228,447	4.1%	45,028	10,680	284,155
Airfield	372,814	161,994	-	-	406,476	616,980	246,058	1,804,323	32.5%	355,642	84,356	2,244,321
Terminal	-	225,810	485,816	-	1,219,429	396,630	49,212	2,376,896	42.8%	468,499	111,125	2,956,521
Parking	-	49,089	10,228	407,286	88,364	58,760	123,029	736,756	13.3%	145,219	34,445	916,420
Other <small>(roads, apron, ARFF, GA)</small>	41,424	53,998	10,228	-	35,346	190,970	73,817	405,783	7.3%	79,982	18,971	504,736
Total Allocation	414,238	490,892	511,385	407,286	1,767,288	1,469,000	492,116	5,552,205		1,094,370	259,578	6,906,153

/a - Allocation percentages per management.

/b - Allocation based on distribution of direct O&M.

/b

/b

EXHIBIT G-2.2.1
BOND FUNDED ASSETS
FY 2010

Bond-Funded Projects	Airfield	Terminal	Parking	Other	TOTAL
Fire Suppression System				3,026	3,026
R/W, T/W, Aprons	14,730				14,730
C/C, Security, Bag Claim		74,368			74,368
Rental Car Lot				77,702	77,702
Landscaping				26,855	26,855
Commercial Ramp	126,697				126,697
Main Parking Lot			597,248		597,248
Ramp Space				115,348	115,348
Terminal Building Improvements		829,566			829,566
T/W and R/W 13/31	244,093				244,093
Security Fencing	8,269				8,269
Airport Master Plan	11,000	11,000	11,000	11,575	44,575
G.A. Apron				206,523	206,523
R/W 17-35	19,454				19,454
Airport Energy Conservation		5,000			5,000
Concourse and Holdroom		565,052			565,052
Ticket Wing Expansion		1,263,025			1,263,025
Landscaping Study				39,787	39,787
Terminal Air Conditioning		18,865			18,865
Graphics		113,500			113,500
Terminal Roof/HVAC		1,036,205			1,036,205
R/W 17/35	229,683				229,683
TOTAL FY1981-87	653,926	3,916,581	608,248	480,816	5,659,571
CFR Vehicle	47,893				47,893
Signage and Landscaping				22,277	22,277
Airport Entrance Sign				52,632	52,632
TOTAL FY1988	47,893	0	0	52,632	100,525
Reconstruct Fire Eqpt.	17,209				17,209
ARFF Vehicle	28,116				28,116
Parking Lot			97,540		97,540
Runway 17-35	142,460				142,460
T/W Rehab for R/W 13/31	117,667				117,667
Signage and Landscaping				301,752	301,752
TOTAL FY1989	305,452	0	97,540	301,752	704,744
Master Plan				10,098	10,098
Land Acquisition				125,954	125,954
TOTAL FY1991	0	0	0	136,052	136,052
Terminal Interior		34,916			34,916
Terminal Expansion		1,325,416			1,325,416
Terminal A/C for Concourse		39,005			39,005
Tower HVAC		1,684			1,684
Terminal Concourse & Holdroom		391,914			391,914
Service Center Roof/HVAC/Canopy		913,612			913,612
T/W J & Commercial Apron	293,192				293,192
TOTAL FY1992	293,192	2,706,547	0	0	2,999,739
Taxiway Rehab 13-31	233,336				233,336
Taxiway J Comm Apron	33,297				33,297
TOTAL FY1993	266,633	0	0	0	266,633

EXHIBIT G-2.2.1
BOND FUNDED ASSETS
FY 2008

Bond-Funded Projects	Airfield	Terminal	Parking	Other	TOTAL
Parking/Revenue Control System			17,714		17,714
Parking Lot Improvements			19,681		19,681
Fencing/Access Control	99,466				99,466
G.A. Apron Ext. Fillet Widening				156,151	156,151
Gen Avn Apron/Taxiway Ltg				179,924	179,924
Boiler/Cooler Tower Replacement		27,176			27,176
TOTAL FY1994	99,466	27,176	37,395	336,075	500,112
Terminal Renovation-Roof		161,419			161,419
A/F Drainage Imp., Security Perimeter Rd.	164,700				164,700
TOTAL FY1995	164,700	161,419	0	0	326,119
Boiler/Cooler Tower Replacement		26,098			26,098
Terminal Relocate Airline		168,765			168,765
Terminal Elec Rm/Door Repl		8,646			8,646
TOTAL FY1997	0	203,509	0	0	203,509
Emergency Generator		181,252	-	-	181,252
Electrical Improvements/Sweeper/Lift 19	7,697	-	-	-	7,697
TOTAL FY1998	7,697	181,252	-	-	188,949
Terminal Space Study Plan	-	58,618	-	-	58,618
TOTAL FY2001	-	58,618	-	-	58,618
ARFF Vehicle	59,871				59,871
West Apron Improvements	15,656				15,656
Parking and Roadway Improvements			15,340	16,430	31,770
Terminal Improvements	-	2,502,745	-	-	2,502,745
TOTAL FY2002	75,527	2,502,745	15,340	16,430	2,610,042
Terminal Improvements	-	2,756,322	-	-	2,756,322
Parking and Roadway Improvements	-	-	3,187,159	1,986,983	5,174,142
TOTAL FY2003	-	2,756,322	3,187,159	1,986,983	7,930,464
Terminal Improvements	-	2,790,575	-	-	2,790,575
Parking and Roadway Improvements	-	-	420,275	541,349	961,624
TOTAL FY2004	-	2,790,575	420,275	541,349	3,752,199
Terminal Improvements	-	955,923	-	-	955,923
Parking and Roadway Improvements	-	-	1,242,519	(21,281)	1,221,238
TOTAL FY2005	-	955,923	1,242,519	(21,281)	2,177,161
Terminal Improvements		328,829			328,829
Parking and Roadway Improvements			69,664	292,522	362,186
TOTAL FY2006	-	328,829	69,664	292,522	691,015
Terminal Improvements		228,077			228,077
Parking and Roadway Improvements			21,092	159,228	180,320
TOTAL FY2007 Estimate	-	228,077	21,092	159,228	408,397
BOND-FUNDED PROJECTS FY1981-2003	1,914,486	16,817,573	5,699,232	4,282,557	28,713,848
% Distribution	6.7%	58.6%	19.8%	14.9%	100.0%

**EXHIBIT G-2.2
ALLOCATION OF DEBT SERVICE**

FY 10

ALLOCATION OF ANNUAL DEBT SERVICE	% of Distribution of Bond-funded Assets by Cost Center	Amount of Debt Service
		754,450
<u>COST CENTER</u>		
Airfield	6.7%	50,303
Terminal	58.6%	441,878
Parking	19.8%	149,746
Other	14.9%	112,523
Total	100.0%	754,450
Source Exhibit	G-2.2.1	

EXHIBIT G-3

Rates and Charges

Signatory Terminal Rent

FY 2009-2010	<u>TERMINAL RENTAL RATES (per square foot)</u>	
	Class 1 space-- ATO/Holdroom	\$50.00
	Class 2 space--Operations Area	\$45.00
	Class 3 space--Cargo Facility	\$37.51
	Class 4 space--Fenced/Open Area	\$12.50
FY 2010-2011	<u>TERMINAL RENTAL RATES (per square foot)</u>	
	Class 1 space-- ATO/Holdroom	\$50.62
	Class 2 space--Operations Area	\$45.57
	Class 3 space--Cargo Facility	\$37.98
	Class 4 space--Fenced/Open Area	\$12.66
FY 2011-2012	<u>TERMINAL RENTAL RATES (per square foot)</u>	
	Class 1 space-- ATO/Holdroom	\$51.38
	Class 2 space--Operations Area	\$46.25
	Class 3 space--Cargo Facility	\$38.55
	Class 4 space--Fenced/Open Area	\$12.85
FY 2012-2013	<u>TERMINAL RENTAL RATES (per square foot)</u>	
	Class 1 space-- ATO/Holdroom	\$52.15
	Class 2 space--Operations Area	\$46.94
	Class 3 space--Cargo Facility	\$39.12
	Class 4 space--Fenced/Open Area	\$13.04
FY 2013-2014	<u>TERMINAL RENTAL RATES (per square foot)</u>	
	Class 1 space-- ATO/Holdroom	\$52.94
	Class 2 space--Operations Area	\$47.65
	Class 3 space--Cargo Facility	\$39.71
	Class 4 space--Fenced/Open Area	\$13.24

Common Use Charges

2009-10

Square footage	6,003 square feet
2009-10 Rate	\$50.00 per square foot
Terminal security costs	\$300,150

***To be recovered by 20/80 Joint Use formula based on enplaned passengers**

Landing Fee

2009-10

Airfield costs	\$2,244,321
Less: Airfield credit	\$1,362,475
Net Allowable Costs	\$881,846

Landing Area @ 70%	617,292
Projected landed weight	464,129

2009-10 Landing Fee	\$1.33
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Signatory Apron Charge

2009-10 Apron Charge per Preferential Position	\$56,955
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***Based on five gates**

Per Turn Charge

2009-10 Per Turn Charge	\$250
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***Annual minimum annual guarantee for AIRLINE operating under this Agreement and directly leasing Exclusive Use, Preferential Use, or Joint Use space is equal to the fixed twenty percent (20%) Joint Use fixed charge paid by each Signatory Airline.**

2009-2010 Annual Minimum: \$39,451

<u>2009-10 Signatory Gate Use Fee</u>	\$158.38
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<u>2009-10 Federal Inspection Services Fee (FIS)</u>	\$2.51 per passenger
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EXHIBIT G-4
CALCULATION OF NET REVENUE DISTRIBUTION AND
CAPITAL RESERVE APPROPRIATION
FY 10

Source Exhibit G-1-1 Revenues

<u>Account Description</u>	<u>Amount</u>
Cargo Facility Rental	19,404
Agricultural leases	81,005
Rent - commercial non-aviation	79,205
Airport Badging Fees	12,000
TSA Buildout Fee	0
Parking Lot	196,575
Covered Parking Premium	604,440
Parking fines-Airport	900
Rent-a-car parking	43,680
Rent-a-car Security Fee	190,000
Ground transportation	117,500
Other revenue	1,200
Interest on investments	70,000
Oil and gas leases	102,600
Oil and gas leases	12,960
Transfer from Stores Fund	0
A/R/ Finance Charges	0
TOTAL Aviation Department Revenues	\$ 1,531,469
Less Parking and Other Requirements	(1,683,425)
Net Revenue Distribution to:	
Aviation Capital Reserve Fund	\$ (151,956)