

Seattle-Tacoma International Airport

Competition Plan

June 13, 2014

**OVERVIEW**

Since 2004, Sea-Tac Airport (the “Airport” or “Sea-Tac” or “Port of Seattle” or “Port”) has had a series of airline agreements (3) with hybrid compensatory rate structures. Key features of these agreements have been that rates are set to recover costs (without cross subsidies) and exclusive leases have not been allowed for gates, ticket counters and baggage makeup and baggage claim space. In this environment, Sea-Tac has accommodated a number of new airline customers both domestic and international. In the past ten years, Virgin America, Lufthansa, Icelandair, Emirates, Hainan and All Nippon Airways have initiated service to Sea-Tac. During this period, Sea-Tac has also experienced growth by the dominant local carrier, Alaska Airlines.

**1. Availability of gates and related facilities (identify or describe)**

**A. Number of gates available at the airport by lease arrangement, i.e., exclusive, preferential, or common use.**

Sea-Tac Airport has a total of 79 gate positions. Of these, 69 are equipped with passenger loading bridges (PLBs) and 10 are for regional operations with a total of 19 regional parking positions. This distribution by concourse is as follows:

Concourse	Gate Positions	PLBs	Regional Gates	Regional Parking Positions
A	14	14		
B	12	12		
C	14	6	8	14
D	10	10		
SSAT	14	14		
NSAT	14	12	2	5
Total 2014 gate allocation	78	68	10	19
New gate on B	1	1		
Total	79	69	10	19

Gates are largely domestic, except for 12 of those on the South Satellite that have direct access into our federal inspection services area. See Attachment I for a diagram of airport concourses.

Of these 79 gates, 65 are preferentially leased by airlines and 14 are Port controlled common use gates. See Attachment II for current assignment of preferential gates.

The number of gates at Sea-Tac has changed with the advent of winglets and changes in fleet mix. Demand is increasing, and capacity is fairly fixed. Sea-Tac has seen steady growth in international flights over the last several years, but has recently received notification that Delta has increased its 2014 schedule from 43 departures (in 2013) to 80 departures in 2014; in addition, Delta has announced plans to increase its departures at Sea-Tac to approximately 150 by 2017. With this domestic growth, as well as the growth of the home-town carrier Alaska, the Airport is in the early stages of a project to expand the North Satellite from 12 gates and five regional parking positions. The scope of the North Satellite project will be either a complete remodel of the existing space to create 15 contact gates, or an expansion of up to approximately 42,000 SF and 5 additional gates with passenger loading bridges, for a total of 20 contact gates (subject to approval of the Port of Seattle Commission).

**B. Whether any air carriers that have been serving the airport for more than three years are relying exclusively on common-use gates.**

Sea-Tac has as part of the Signatory Lease and Operating Agreement (“SLOA III” see Attachment III) an annual preferential gate allocation process that distributes available preferential gates based on passenger seats in the Seattle market. From that process All Nippon Airways (ANA), Asiana Airlines, British Airways, Condor Airlines, Emirates Airline, EVA Airways, Frontier Airlines, Hainan Airlines, Hawaiian Airlines, Icelandair, Korean Air Lines, Lufthansa German Airlines, and Sun Country Airlines all utilize common-use gates for all of their operations.

Apart from Hawaiian Airlines and Frontier Airlines, which have rejected their allocated preferential use gates, each of the remaining carriers has minimal daily flights so they do not qualify for preferential use gates based on their number of seats in the Seattle market. As part of the annual gate allocation process, however, there are historically a number of gates rejected by carriers, and a window of opportunity for any airline to request to lease a rejected preferential gate. Typically, however, a carrier with limited daily operations has no interest in a preferential use gate because of the associated financial savings that accompanies paying on a per-use basis on a common use gate.

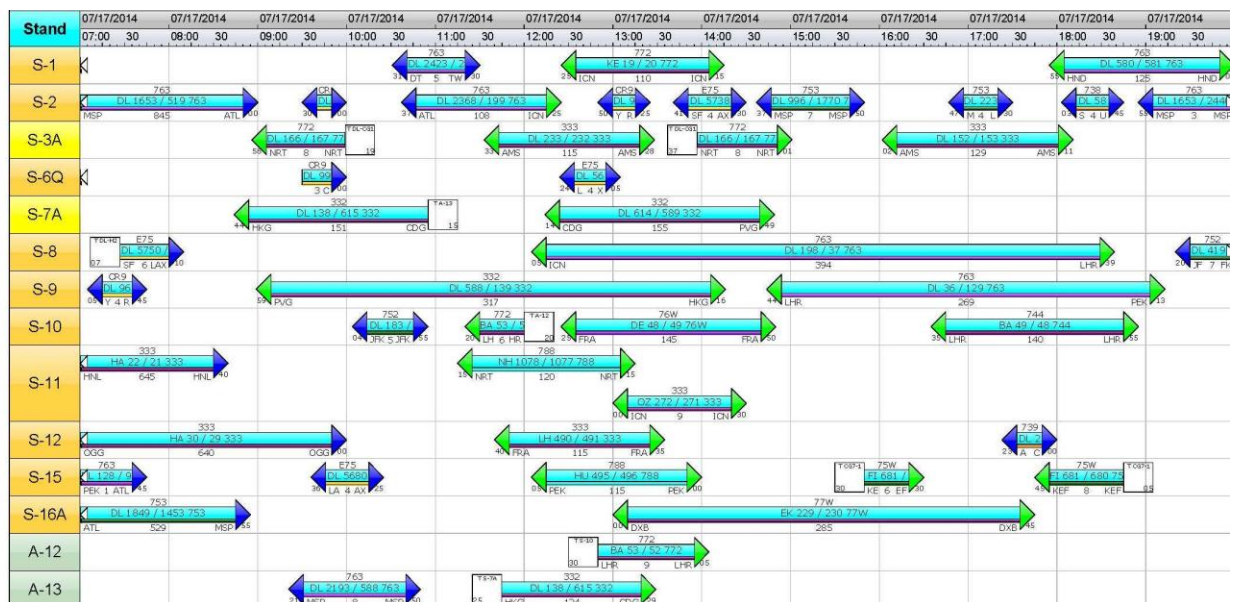
**C. Diagram of the airport's concourses**

- See Attachment I

**D. Description of gate use monitoring policies, including any differences in policy at gates subject to PFC assurance # 7 and samples of gate use monitoring charts, along with a description of how the charts are derived and how they are used by the airport.**

As part of SLOA III, the Airport maintains secondary user rights on all preferential use gates. This is in addition to the annual gate allocation process that allows the Port to change and control the number of common use gates needed to accommodate new entrants and common use carrier activity. See Article 4 in Attachment III.

Gate use is monitored seasonally and day-to-day by a manager (“Scheduling Manager”) within the Operations Department who is devoted full-time to overseeing scheduling. On an hour-to-hour basis, gate use is monitored 24/7 by Airport staff in the Airport Communications Center (“ACC”) and by Airport Duty Managers (“ADM”). Immediate and short-term gate needs are addressed by the ACC. Longer term requirements are addressed by the Scheduling Manager. The Port and airlines also maintain a Common Use Facilities Advisory Committee which, as specified in SLOA III, considers and issues recommendations on use of gates, among other facilities. Gate use is monitored on a computer screen but as an example, a reproduction is shown here of a typical screen showing assignments on the South Satellite Terminal/Concourse:



- See Attachment IV- Gate Use Charts

**E. Description of the process for accommodating new service and for service by a new entrant:**

- Airport staff initiates initial meetings with the potential new entrant to understand proposed flight schedule and timing of operational start.
- Airport determines facility availability and proposes potential gate, ticket counter, baggage system, and office space to accommodate their proposed operation.
- Airport staff consults with Common Use Facility Allocation Committee (CUFAC) which is made up of four airline representatives and three Port representatives, if necessary.
- Discussions ensue and decisions are made based on new entrant requirements and availability of resources.
- The appropriate lease document is provided and the Port then develops a pro-forma based on the developed operational and facility profile.
- Discussions continue on issues like tenant improvements, airport signage, and employee needs (badges/keys/parking) while the new entrant airline follows up on details like availability of third party contractor support and hotel crew facilities.
- New entrant signs the lease.
- Service begins.

**F. Description of any instances in which the PFC competitive assurance #7 operated to convert previously exclusive-use gates to preferential-use gates or it caused such gates to become available to other users.**

Sea-Tac has no exclusive use gates.

**G. Gate utilization (departures/gate) per week and month reported for each gate.**

See Attachment IV – Gate Use Charts

**H. The circumstances of accommodating a new entrant or expansion during the 12 months preceding filing, including the length of time between initial carrier contact of airport and start of service, the identity of the carriers and how they were accommodated.**

- Delta has been adding international routes in Seattle over the last several years, largely relying on the domestic feed of Alaska Airlines. Recently, Delta has informed the Airport that it intends to build up its own domestic feed (in direct competition with Alaska) and will need additional gates to accommodate these increases.
- In addition to previously announced international flights to ICN and HKG in June of 2014, Delta notified the Airport in November of 2013 that it will be adding a significant number of domestic flights to SEA in 2014, including SFO, LAS, LAX, SJC, Juneau, ANC, Fairbanks, YVR, SAN, and PDX.
- Although accommodations and schedules are still being developed, the Airport initially responded as part of the finalization of the 2014 gate allocation process in December of 2013 to a Delta request for additional gates. The Airport assigned one additional preferential gate from the rejected pool to Delta, and has provided significant scheduling support and planning regarding their utilization of up to four additional common use gates above and beyond their currently allocated 2014 preferential gates.
- Additionally, the Airport worked with Delta to re-create a new regional gate in an underutilized area on the ramp that had been compromised by fleet mix and winglet impacts (this is the new gate referenced in the table on page 1 in 1.A). Although this gate is a common-use gate because of its mid-year inauguration, it is anticipated that this gate will likely be offered to Delta as an additional preferential use gate in the next annual gate allocation.

**I. Resolution of any access complaints by a new entrant or an air carrier seeking to expand service during the 12 months preceding the filing, including a description of the process used to resolve the complaint.**

The Airport has received no complaints by any new entrant carriers at Sea-Tac.

**J. Use/lose, or use/share policies and recapture policies for gates and other facilities. If no such policies exist, explain the role, if any under-utilized gates play in accommodating carrier requests for gates.**

The Airport's ability to recapture gates centers on our annual gate allocation process. In this process, the Airport first determines the number of common use gates required to accommodate common use activity, and then the remainder of the gates are offered to airlines in the preferential lease gate allocation process. So, in any given year, the Airport has full control to increase or decrease the number of common use gates and the number of gates available for airlines to lease on a preferential basis.

The Airport has the ability to utilize any preferentially leased gate if (1) there is a need and (2) the leasing airline does not have a scheduled operation during the period of need. So if there is a need by a requesting airline that the Airport cannot accommodate on existing common use gates, and there is underutilization or capacity during the period of need from the leasing airline, the Airport has the ability to schedule the requesting airline's operation as a secondary user on that leasing airline's preferential-use gate.

**K. Plans to make gates and related facilities available to new entrants or to air carriers that want to expand service at the airport and methods of accommodating new gate demand by air carriers at the airport (common-use, preferential-use, or exclusive-use gates).**

See responses to Section 1.H., above

**L. Availability of an airport competitive access liaison to assist requesting carriers, including new entrants.**

The Airport does not currently have an airport competitive access liaison

**M. Number of aircraft remain overnight (RON) positions available at the airport by lease arrangement, i.e. exclusive, preferential, common-use or unassigned, and distribution by carrier. Describe procedures for monitoring and assigning RON positions and for communicating availability of RON positions to users.**

There are a total of 127 available RON parking positions at Sea-Tac. All preferentially leased gates are inclusive of a RON on the gate, so airlines control 65 RONs as part of preferential gates. Airlines exclusively control 27 RONs as part of hangar and exclusive hardstand leases. The Port directly controls 35 RONs as part of the common use gates and non-gate parking positions, and they are assigned by our Operations staff based on operational demand and historical use.

Below is a current inventory of Port and airline controlled RON positions and at Sea-Tac.

<b>Airline</b>	<b>Common RON</b>	<b>Preferential RON</b>	<b>Exclusive RON</b>	<b>Total</b>
Port of Seattle	35			35
Alaska		24	10	34
Delta		11	5	16
Horizon		9	2	11
United		8	3	11
FedEx			7	7
Southwest		5		5
American		3		3

US Airways		2		2
JetBlue		1		1
Virgin America		1		1
Air Canada		1		1
Total	35	65	27	127

**2. Leasing and subleasing arrangements (identify or describe)**

**A. Whether a subleasing or handling arrangement with an incumbent carrier is necessary to obtain access.**

Historically, the Airport has been able to successfully accommodate requesting airlines without having to rely on their handling by an incumbent carrier. Some have chosen to do so because of alliance relationships or handling agreements, but none has been required. In recent months, however, our mid-day bank of international flights has exceeded our supply for wide-body gates, so it is conceivable that it may indeed happen in the future.

**B. How the airport assists requesting airlines to obtain a sublease or handling arrangement.**

If an airline was to need a sublease or handling arrangement, the Airport would endeavor to facilitate a conversation between that airline and either or both of the local or corporate representatives of an incumbent carrier to determine if capacity exists and at least connect the parties.

**C. Airport polices for sublease fees levels (e.g. maximum 15 percent above lease rates), and for oversight of fees, ground/handling arrangements and incumbent schedule adjustments that could affect access to subtenants.**

A signatory carrier who subleases space or has a handling arrangement with another carrier, is allowed to charge a maximum 15% administration fee on top of what the Airport’s rates and charges are for that facility or use.

**D. Process by which availability of facilities for sublease or sharing is communicated to other interested carriers and procedures by which sublease or sharing arrangements are processed.**

All signatory carriers are notified, as part of our annual gate allocation process, of gates made available after airline preferential gates are rejected.

If a signatory carrier has interest or need to sublease any of their facilities, they must request and receive the Airport’s written consent. This consent would be requested via a

letter through the carrier's Airport Property Manager, who would consult with the Airport's Legal Department and other Airport stakeholders prior to providing written consent.

**E. Procedures for resolving disputes or complaints among carriers regarding use of airport facilities, including complaints by subtenants about excessive sublease fees or unnecessary bundling of services.**

Any complaint from a signatory carrier or their subtenant would be processed by the assigned airport property manager once the complaint is provided in writing.

Any complaint would be forwarded to the Airport's Legal Department for direction, and any actions or recommendations would be communicated and enforced by the assigned airport property manager.

**F. Resolution of any disputes over subleasing arrangements in the 12 months preceding filing.**

The Airport has not received any disputes over subleasing arrangements in the 12 months preceding the filing of this Competition Plan.

**G. Accommodation of independent ground service support contractors, including ground handling, maintenance, fueling, catering or other support services.**

There are a multitude of independent ground service contractors operating at Sea-Tac Airport. Each Ground Service Provider (GSP) is required to sign a License to Operate Agreement. The License requires a letter from an existing tenant, confirming they have a contract with the GSP. Then they are required to provide insurance, surety, and other basic provisions as part of the License Agreement. Once they provide the required documentation, they can then acquire employee badging, parking, and access to other necessary Airport resources.

If a GSP provider wants to park equipment on the airfield, and the tenant they contract with either doesn't want to or can't provide parking, the Airport offers an Equipment Storage Area Use Agreement (ESAUA) which provides a mechanism for these GSPs to store and stage equipment required for the servicing of carrier operations.

**H. Copies of lease and use agreements in effect at the airport.**

- Attachment III – Signatory Lease and Operating Agreement
- Attachment V – Operating Permit
- Attachment VI – License to Operate
- Attachment VII – ESAUA Agreement



### **3. Patterns of Air Service**

Not Required

### **4. Gate assignment policy (identify or describe):**

#### **A. Gate assignment policy and method of informing existing carriers and new entrants of this policy. This would include standards and guidelines for gate usage and leasing, such as security deposits, minimum usage, if any, fees, terms, master agreements, signatory and non-signatory requirements**

Preferential gates are only assigned to signatory carriers; therefore, the Airport's gate assignment policy is outlined in Article 4 of SLOA III (Attachment III). As previously mentioned, gates are allocated annually in accordance with a defined formula based on the number of seats in the market from the previous year's August schedule. Carriers allocated a gate are then able to accept or reject the allocated gates, and ultimately carriers have an opportunity to request additional gates (at the Airport's sole discretion) above and beyond their allocation. These gates are then memorialized as part of their lease premises for the year.

For a new entrant, the Airport typically provides a pro-forma of all Airport rates and charges for a potential new entrant. In developing this pro-forma, Airport staff would work with the requesting carrier in determining the availability of facility resources (gate, ticket counters, etc.) as well as discussing the appropriate agreement for their operation. As part of this new entrant pro-forma process, a requesting carrier would receive copies of the appropriate agreement, including pertinent information on gate assignment methodology and other related requirements for entrants choosing signatory status. Most new entrants have historically been handled on Airport common-use gates (at least initially), but based on the proposed schedule, a new signatory entrant can request a preferential gate as part of their start-up process. The Airport would then consider their request based on the availability of gates and their anticipated utilization.

#### **B. Methods for announcing to tenant carriers when gates become available. The description should discuss whether all tenant air carriers receive information on gate availability and terms and conditions by the same process at the same time.**

All carriers are informed at the same time by the annual Gate Allocation Process (the milestones are outlined in SLOA III).

**C. Methods for announcing to non-tenant carriers, including both those operating at the airport and those that have expressed an interest in initiating service, when gates become available; and policies on assigning RON positions and how RON position availability announcements are made.**

The Airport does not have a list of carriers that have expressed an interest in initiating service, so has not developed a mechanism to communicate to this theoretical non-tenant carrier group.

RON positions are included in a signatory carrier's lease of preferential gates. RON parking on common-use resources is assigned based on geographic location, adjacency of operation and type of use. Assignment to a common-use resource will typically only be done once all leased or preferred positions are at capacity by the requesting carrier. Priority is given to carriers with the least amount of leased resources available and positions closest to their existing operation will be offered.

**5. Gate use requirements (identify or describe):**

**A. Gate use monitoring policy, including schedules for monitoring, basis for monitoring activity (i.e., airline schedules, flight information display systems, etc.), and the process for distributing the product to interested carriers.**

Allocation and distribution of gates is provided for in SLOA III (Attachment III). After the allocation, which is done annually, gate use is monitored continuously by airport staff in the Airport Communications Center ("ACC") and by Airport Duty Managers ("ADMs"). Airlines either park aircraft at their leased gates or request allocation of a common use gate from the Airport. In this way gate needs are immediately known to Airport staff. Gate use Assignment and Scheduling Procedures are outlined in Exhibit D of SLOA III.

**B. Requirements for signatory status and identity of signatory carriers:**

Any carrier operating or planning to operate scheduled flights to Sea-Tac may sign the Signatory Lease and Operating Agreement (see Attachment III).

Current signatory carriers:

1. Airpac
2. Air Canada
3. Alaska Airlines
4. All Nippon Airways (ANA)
5. American Airlines
6. Asiana Airlines
7. Atlas Air
8. British Airways
9. Cargolux Airlines
10. China Airlines
11. Condor Flugdienst (Condor Airlines)
12. Delta Air Lines
13. Deutsche Lufthansa (Lufthansa German Airlines)
14. Emirates Airline
15. EVA Airways
16. Federal Express
17. Frontier Airlines
18. Hainan Airlines
19. Hawaiian Airlines
20. Horizon Air
21. Icelandair
22. Jet Blue Airways
23. Korean Air Lines
24. MN Airlines (Sun Country Airlines)
25. Southwest Airlines
26. United Airlines
27. United Parcel Service
28. US Airways
29. Virgin America

**C. Where applicable, minimum use requirements for leases (i.e., frequency of operations, number of seats, etc.);**

Any carrier operating or planning to operate scheduled flights to Sea-Tac may be a signatory to SLOA III.

**D. The priorities, if any, employed to determine carriers that will be accommodated through forced sharing or sub-leasing arrangements. Describe how these priorities are communicated to interested carriers;**

Broad categories of priority for use of common-use gates are included in SLOA III. For example, flights operated by signatory carriers have preference over flights by non-signatories; international flights have preference over domestic flights; larger aircraft have preference over smaller aircraft; flights on advanced schedules have preference over those not on advance schedules. The annual gate allocation which results in airlines being offered certain gates for lease (according to a prorated system based on outbound seat capacity) is based on a recommendation from the Common Use Facilities Advisory Committee (“CUFAC”). The membership of CUFAC is four airline and three Airport representatives. The committee is chaired by an Airport manager.

**E. Justifications for any differences in gate use requirements among tenants;**

Before the Airport allocates (offers) any gates to airlines for use, a determination is made of how many gates need to be withheld for anticipated common use activity. After that determination is made, the remaining gates are offered for lease in proportion to the size of carrier activity (outbound seats). Differences in gate use requirements will determine which gates are offered to which carriers. For example, a carrier leasing gates for international flights needs to have gates directly connected to the Federal Inspection Services where all international flights are required to arrive. Carriers operating wide bodied aircraft will not be able to be accommodated on gates incapable of holding such equipment. Some gates are suitable for commuter/ground loading operations so carriers with this type of service would be offered these gates. Other considerations are proximity to existing air carrier operations. Efforts are made to keep a single carrier’s operation together as much as possible. Proximity to operations and maintenance offices and hangars is another consideration. All these justifications apply to both annual allocation of gates and the day-to-day and hour-to-hour assignment.

**F. Usage policies for common-use gates, including, where applicable, a description of priorities for use of common-use gates. Explain how these priorities are communicated to interested carriers;**

Usage policy for common-use gates is agreed in the Gate Use, Assignment and Scheduling Procedures, Exhibit D to SLOA III (Attachment III). The following is extracted from Article 6 of the Procedures:

*6.2 Common Use Gate Priority Scheduling System. The Port will be guided by the following scheduling priorities:  
The following flights are listed in descending order of priority. The first four priorities below apply to International Gates:*

*6.2.1. Signatory FIS Flight on the Advance Schedule*

*6.2.2. Non-Signatory FIS Flights on the Advance Schedule*

*6.2.3. Scheduled Signatory FIS Flight not on the Advance Schedule*

*6.2.4. Non Signatory FIS Flight not on the Advance Schedule*

*6.2.5. Signatory Domestic Flight by Air Carrier not leasing any Preferential Gates on the Advance Schedule.*

*6.2.6. Signatory Domestic Flight by Air Carrier leasing Preferential Gates adjacently or nearby on the Advance Schedule.*

*6.2.7. Signatory Domestic Flight by Air Carrier leasing Preferential Gates adjacently or nearby not on the Advance Schedule*

*6.2.8. Signatory Domestic Flight by Air Carrier not leasing any Preferential Gates not on the Advance Schedule*

*6.2.10. Non Signatory Domestic Flights on the Advance Schedule*

*6.2.11. Non Signatory Domestic Flight not on the Advance Schedule.*

*6.2.12. All other flights based on the SLOA agreement accommodation provisions.*

*6.2.13. In all instances, within each level of priority, flights will be prioritized in the following order:*

*Turnaround Flight*

*Arrival Only Flight*

*Departure Only Flight*

*6.2.14. When two or more flights meet the description of any of the individual categories in paragraphs 6.2.1 through 6.2.12, a flight operated by an aircraft with a higher capacity has priority over a flight operated by an aircraft with a lower capacity where capacity is defined by the number of seats and an on-schedule flight has priority over an off-schedule flight. Where two flights are off-schedule, the flight whose estimated time is closest to its scheduled time has priority over the other flight.*

**G. Methods for calculating rental rates or fees for leased and common-use space. Where applicable, provide an explanation of the basis for disparities in rental fees for common-use versus leased gates.**

Article 8 of SLOA III (Attachment III) explains the methodology for calculating all rental rates for leased and common use space. Section 8.3.2 of SLOA III lists each space category and applicable rate. Terminal rates are based on assigning costs to square feet of rentable space (commercial compensatory methodology). The capital and operating costs allocable to the Terminal are multiplied by the ratio of airline rentable space to total rentable space. Next, space is weighted in accordance with the table below:

Space Category	Weighting
Group A: Gates	2.0
Group B: Ticket Counters Bag Make-up, Bag Claim Publicly Accessible Offices Lounge space	1.0
Group C: Non-Publicly Accessible Offices	0.5
Group D: Closed Storage space	0.25

For rate setting purposes, the cost per square foot of space in each of these four groups will be normalized so that the aggregate costs assigned to all four groups will equal the Terminal Building revenue requirement.

1. Gates: The total cost for gates is divided by the number of gates to determine an average cost for each gate, regardless of actual square footage of the gate hold room.
  - Preferential rate: Annual cost of average gate is charged.
  - Common use rate: rates are set by dividing costs allocated to common use gates (number of common gates multiplied by the average gate cost) by an assumed four turns per day at each common use gate. Since the average number of turns per day at common gates is currently less than four, this moderates the cost per turn at common use gates. The unrecovered costs, if any, are assigned to the preferential gate cost pool. The actual common turn rate depends on the size of the aircraft as follows. The weightings roughly correspond to the relative number of seats.
    - i. Wide body            2.0
    - ii. Narrow body        1.0
    - iii. Regional            0.5

2. Ticket Counters: The total cost for ticket counters is allocated to individual ticket counters (including its appropriate portion of queuing) based on square feet of rented space.
  - Preferential rate: rate per square foot of rented space
  - Common use rate: the rate is set by dividing the total costs allocated to the common use ticket counters by the anticipated hours of use. The rate is stated as an hourly rate.
3. Bag Make-up device space: The total cost for bag make-up device space is allocated based on square feet of rentable space. The airport has both preferentially leased bag make-up devices and common-use bag make-up devices.
  - Preferential rate: rate per square foot of rented space
  - Common use rate: the rate is set by dividing the total costs allocated to the common use bag make-up devices by the anticipated number of outbound bags. The rate is stated as a cost per outbound bag.
4. Bag Make-up equipment: the capital and operating costs associated with the baggage system equipment are allocated between bag make-up, bag claim and FIS cost centers based on amount of equipment assigned to each cost center. The costs allocated to bag make-up are spread to the users based on a formula where 10% of the costs are charged equally to each user and 90% of the costs are charged based on the number of outbound bags.
5. Bag Claim: All bag claim devices are common-use. The costs recovered in the bag claim rate include both the space associated with baggage claim and the allocated share of the baggage equipment costs. The costs are recovered from the users based on a formula where 10% of the costs are charged equally to each user and 90% of the costs are charged based on the number of deplaned domestic passengers.
6. Publicly Accessible Offices and Lounges: The revenue requirement is divided by the estimated square footage of rentable square feet of publicly accessible office and lounge space.
7. Non-Publicly Accessible Office Space: The revenue requirement is divided by the estimated square footage of rented non-publicly accessible office space.
8. Closed Storage Space: The revenue requirement is divided by the estimated square footage of rented closed storage space.
9. Federal Inspection Services (FIS): The capital and operating costs allocable to the FIS cost center (including its share of baggage system equipment costs) are recovered based on deplaning international passengers that use the FIS facility. As such, the FIS fee is a purely a common-use fee.

## **6. Financial Constraints**

### **A. Major sources of revenues at the airport for terminal projects**

Terminal projects are funded through a combination of cash (generated from net income), revenue bonds and Passenger Facility Charges (PFCs). The airport has also utilized TSA grants for certain baggage system costs. All AIP entitlement grants for Sea-Tac for 1998 – 2015 have been and continue to be incorporated into the Letter of Intent for the Third Runway. Beginning in 2016, AIP entitlement grants for Sea-Tac will be available to fund other airport projects, including terminal projects.

The 2014 – 2018 capital budget totals \$1.5 billion. Of this, over \$800 million is for terminal projects. The two largest projects are 1) North Satellite renovation and expansion (adding 3-8 jet bridge-equipped gates, depending on final decision to expand footprint), and 2) New International Arrivals Facility (add capacity to accommodate growth in international passengers). Revenue bonds will be the major funding source for the terminal projects, although we anticipate using significant amounts of PFCs for the International Arrivals Facility. Some PFCs will also be used for the North Satellite renovation and expansion. Cash will be used for small projects, projects with relatively short lives, and to fund early stage planning/design for a number of terminal projects. AIP entitlement grants will be used on a contingent basis for terminal projects such as the International Arrivals Facility beginning in 2016 if other higher scoring projects (e.g., airfield safety) don't need this funding.

### **B. Rates and charges methodology**

The rates and charges methodology is based on SLOA III that is effective through 12/31/2017. The agreement is a hybrid compensatory agreement that includes revenue sharing with signatory airlines. Rates for each cost center are based on cost recovery formulas that include the capital and operating costs for the cost center. Non-signatory carriers pay a 25% premium.

Our experience is that new passenger carriers choose to become signatory airlines. Sea-Tac offers either preferential-use or common-use facilities for: gates, ticket counters, baggage make-up and baggage claim. The only space that is leased on an exclusive-use basis is office space, storage space and lounge space (if applicable, the Airport also has common use lounges).

The table on the following page shows the 2014 rates that are defined in SLOA III.



Rate Category	Basis	Description	Signatory Rate	Non-Sig. Rate
<b>Landing fee</b>	Activity	Landing fee based on 1,000 pounds of landed weight	\$3.52	\$4.40
<b>Ramp Tower fee</b>	Activity	Based on landings	\$7.21	\$9.01
<b>Apron fee</b>	Activity	Based on landed weight of aircraft using apron area	\$.41	\$0.51
<b>Terminal Rates:</b>				
Gates		Per square foot	\$249.94	N/A
Ticket Counters	Preferential lease	Per square foot	\$159.76	N/A
Baggage Claim		Per square foot	\$145.21	N/A
Baggage Makeup	Preferential lease	Per square foot	\$145.21	N/A
Publicly accessible offices & lounges	Exclusive lease	Per square foot	\$145.21	\$181.52
Security Checkpoint areas		Per square foot. Recovered through gate use.	\$145.21	N/A
Non-publicly accessible offices	Exclusive lease	Per square foot	\$134.99	\$168.73
Closed Storage	Exclusive lease	Per square foot	\$88.88	\$111.10
<b>Preferential use gate rental rate</b>	Preferential lease	Annual cost per gate	\$900,871	N/A
<b>Per turn fee on common gates:</b>				
Class 1 (wide-body)	Activity	Per turn	\$829.99	\$1,037.48
Class 2 (narrow-body)	Activity	Per turn	\$414.99	\$518.74
Class 3 (Regional & commuter)	Activity	Per turn	\$207.50	\$259.37
<b>Bag Claim fee:</b>				
Fixed cost (10%)	Annual fee	Per carrier	\$138,728.00	N/A
Activity based (90%)	Activity	Per domestic deplaned passenger	\$0.99	\$1.24
<b>Bag Makeup Device Space</b>				
Space lease	Preferential lease	Per square foot	\$145.21	N/A
Common use	Activity	Per outbound bag	\$4.51	\$5.63
<b>Bag Makeup Equipment</b>				
	90%/10%			
Fixed cost (10%)	Annual fee	Per carrier	\$58,478.00	N/A
Activity based (90%)	Activity	Per Outbound bag	\$0.95	\$1.19
<b>Common Use Ticket Counter</b>	Activity	Per hour of use	\$20.32	\$25.40
<b>Passenger Loading Bridge fee (Port owned)</b>				
At leased gate	Preferential lease	Per year	\$55,367.00	N/A
At common-use gate	Activity	Per turn	\$66.62	\$83.28
<b>FIS Fee</b>	Activity	Per deplaned int'l passenger	\$5.76	\$7.20

For some rates the non-signatory rate column lists “N/A” indicating that the rate is not applicable to non-signatory carriers. For example, it is assumed that a non-signatory carrier would use common-use facilities for ticket counters, gates, bag make-up and bag claim. Also, since the non-signatory carriers pay a 25% premium on activity based fees for bag claim and bag make-up, there is no fixed fee per carrier. However, a non-signatory carrier could lease office space or storage space on a month-to-month basis and pay a 25% premium on the leased space.

### **C. Past Use, if any, of PFCs for gates and related terminal projects**

While much of Sea-Tac’s PFC authority has been devoted to airfield, security and noise projects, the Airport has used PFCs to fund the following terminal projects:

- Expansion of Concourse A (renovated 7 gates, added 7 gates):
  - 1998 application
  - Project completed in 2004
  - Total PFC use approval = \$390 million
  - Still using PFCs to pay debt service
- Passenger Conveyance System (Satellite Transit System renovation):
  - 1996 application
  - Project completed in 2004
  - Total PFC use approval = \$208 million
  - Still using PFCs to pay debt service
- Baggage System
  - 2011 application
  - Project completed in 2009
  - Total PFC use approval = \$156 million
  - Still using PFCs to reimburse previous cash funded costs and pay debt service

### **D. Availability of Discretionary Income for Airport Capital Improvement Projects**

For the 2014 budget, the Airport anticipates generating \$38 million in net cash available for capital improvement projects (net cash flow after debt service). In the current five-year forecast, this figure is expected to grow each year. Thus, over the next five years, the Airport anticipates having in excess of \$200 million in discretionary income to invest in capital improvement projects.

## **7. Airport Controls Over Airside and Groundside Capacity (identify or describes)**

### **A. Majority-in-interest or “no further rates and charges” clauses covering groundside and airside projects**

SLOA III includes majority-in-interest provisions that permit airlines to vote on aeronautical capital projects of \$3.0 million or greater and roadway projects of \$5.4 million or greater. If 55% of the signatory carriers representing 55% of the airline payments vote “no” on a project, Sea-Tac must delay construction for 12 months. This provision would not preclude the airport from initiating design. Projects that meet the following conditions are exempt from MII review:

1. The capital project is required by a Federal or State agency of superior authority with jurisdiction over the airport
2. The capital improvement is of an emergency nature, which, if not made, would substantially impair the current operation of the airport
3. The capital improvement is required in order to make available additional terminal space or related facilities for the expansion of an air carrier or to make space or facilities available in a terminal to accommodate a new entrant or expanding air carrier; provided such air carrier enters into a binding commitment to lease the space so made available for at least the remaining term and on the same terms as provided for the lease of comparable space under SLOA III, and provided, further, that existing space or facilities are not otherwise available to accommodate the air carrier in a competitive, non-disruptive and otherwise satisfactory manner.
4. The capital improvement is to repair or replace airport property damaged or destroyed by fire or other casualty
5. The capital improvement is made to settle claims or lawsuits, satisfy judgments or comply with judicial or administrative orders against the Airport arising from or relating to its design, construction, ownership, maintenance or use of the Airport.

The key provision in the list above relative to this competition plan is #3 as this allows the airport to proceed with projects that are necessary to add terminal capacity to accommodate a new or expanding carrier.

**B. Any capital construction projects that have been delayed or prevented because an MII was invoked**

In 2012, during the final year of SLOA II (2006 – 2012), the airlines voted “no” on three projects. Under SLOA II, a “no” vote required a six month delay in construction. Two projects related to capital improvements for cargo facilities, and one project was for enhancements to the existing Port of Seattle airport rescue and fire fighting (ARFF) station on the airfield. Following is a brief description of the projects and their current status:

1. Cargo 2 West Cargo Hardstand, Budget of \$11.83 million
  - This project will provide additional concrete apron space to enlarge the hardstand to provide enough room for two simultaneous straight-in wide body freighter nose-load operations by aircraft including 747-8F. The larger ramp area will reduce congestion and allow the taxi lane to be moved to the north, providing better maneuverability and increased operations room. The project required termination

of a leased cargo building and demolition. The project will also install in-ground 400Hz power system infrastructure.

- After the required six month delay, the Port Commission authorized design in September 2012 and construction in October, 2013. Construction will take place in 2014.
2. Cargo 6 Enhancements, budget of \$6.428 million
    - This project will provide additional concrete apron to accommodate simultaneous loading of two cargo freighters at a time, rather than one. The project will also extend the fuel hydrant system and install in-ground 400Hz electrical power infrastructure.
    - After the required six month delay, the Port Commission authorized design in September 2012 and construction in October, 2013. Construction will take place in 2014.
  3. Fire Department Upgrades, budget of \$5.2 million
    - This project will provide electrical system and communications infrastructure upgrades to serve the existing Fire Department Station. The project will also remodel the dorm, men's locker room, lobby and office.
    - The Airport is proceeding with the electrical and communications infrastructure upgrades. The other facility remodel elements are still under review.

**C. Plans, if any, to modify existing MII agreements**

The current airline lease agreement (SLOA III) runs through 2017. As described above, this agreement permits the majority-in-interest to delay the initiation of construction for 12 months. The MII provisions also include five exemptions.

**8. Airport intentions to build or acquire gates that would be used as common facilities:**

**A. The number of common-use gates that the airport intends to build or acquire and the timeline for completing the process of acquisition or construction. Indicate the intended financing arrangements for these common-use gates, and whether the gates will be constructed in conjunction with preferential or exclusive-use gates.**

Sea-Tac is in the planning stages of a project to renovate and possibly expand the footprint of the North Satellite. The airport has seen a growth in passengers and operations and needs more gates to accommodate airline demand. Currently, the most cost-effective location to expand is the North Satellite. Under the baseline renovation plan for the North Satellite, the number of contact gates would increase from 12 to 15. Under the expansion scenario, subject to Port Commission approval, the number of contact gates would further expand from 15 to 20. At this point, it is anticipated that all of these gates at the North Satellite would be leased to Alaska Airlines on a preferential-lease

basis. Since Alaska currently has preferential leases for 5 gates on Concourse D, adding gates at the North Satellite would allow the airport to free up gates on Concourse D for use as either common use gates or for lease by other airlines on a preferential-use basis. In summary, the expansion will add up to 8 gates to accommodate anticipated demand. The total number of gates that will be preferentially leased or reserved for common-use will be determined annually based on airline demand in accordance with the Airport's gate allocation process. This process ensures that the airport retains a sufficient number of common-use gates to meet the needs of all carriers. Individual gates can move between preferential lease status and common use status annually.

The North Satellite renovation and expansion is estimated to cost approximately \$400million. The project will largely be funded by revenue bonds. Sea-Tac plans to include this project in a future PFC application so that some portion of the debt service could be paid with PFCs, but a significant portion of the debt service is expected to be included in the Terminal rate base and collected from all carriers based on their share and use of terminal space and facilities.

**B. Whether common-use gates will be constructed in conjunction with gates leased through exclusive or preferential-use arrangements;**

See above. The net result of the addition of gates at the North Satellite will likely free up gates on Concourse D or another concourse for common-use purposes.

**C. Whether gates being used for international service are available for domestic service;**

Yes. All gates used for international service are also available for domestic service.

**D. Whether air carriers that only serve domestic markets now operate from international gates. If so, describe and explain any disparity in their terminal rentals versus domestic terminal rentals.**

Some carriers that only serve domestic markets do operate from international gates. These carriers incur the same gate use charge as international carriers. International carriers are charged a facility use fee for the Federal Inspection Service area which is not used by domestic carriers. Thus internationals pay higher charges in total but not for the gate itself.

**9. Airfare levels as compared to other large airports**

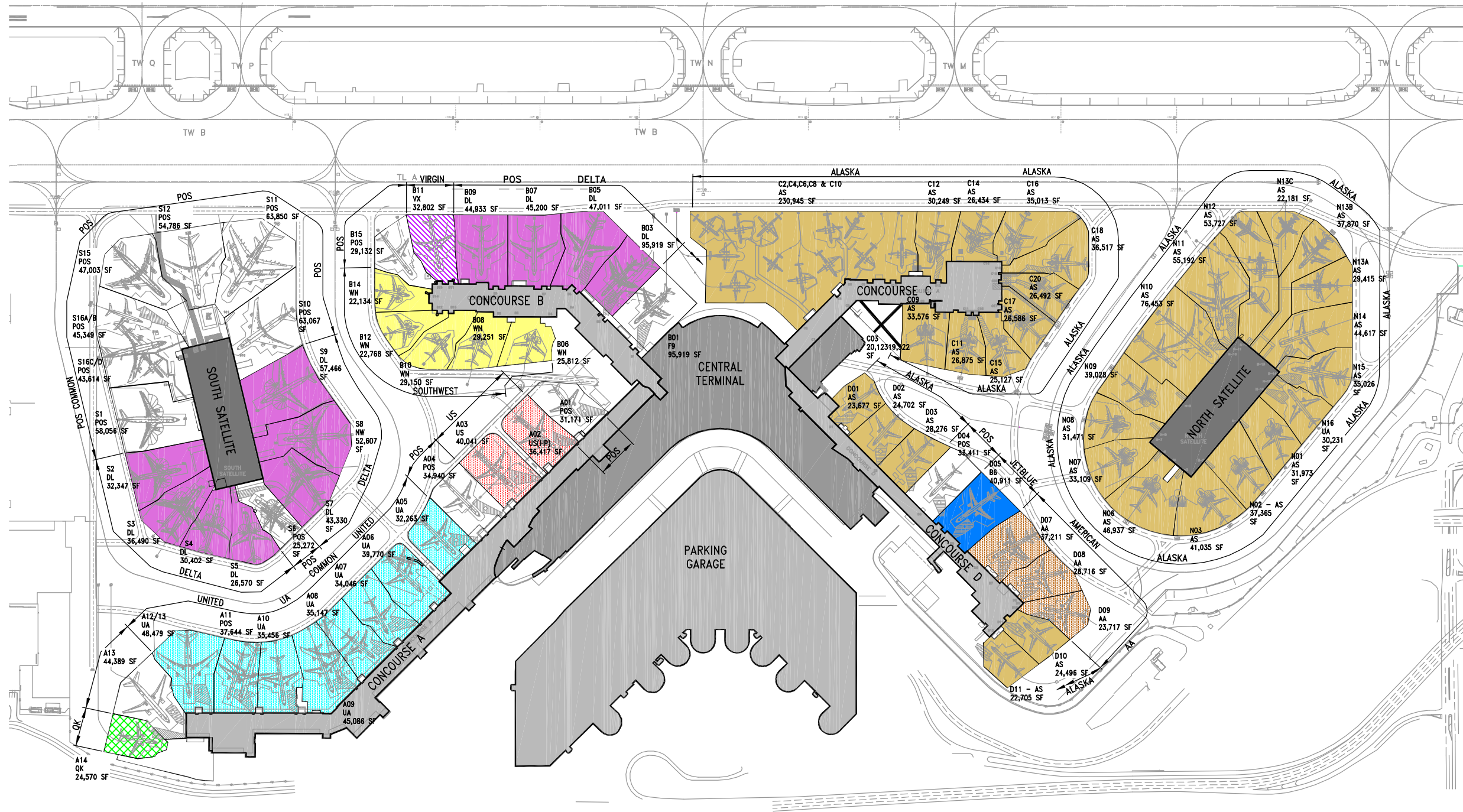
Not Required.

## **ATTACHMENTS**

- I. Diagram of Airport Concourses
- II. Gate Assignments
- III. Signatory Lease and Operating Agreement
- IV. Gate Use Charts
- V. Operating Permit
- VI. License to Operate
- VII. ESUA Agreement

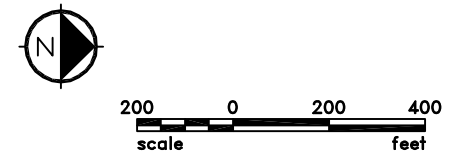
# 2014 Final Gate Allocation

Effective: January 2014



**LEGEND:**

	Alaska Airlines		Frontier
	American		Southwest
	JetBlue		United
	Delta/Northwest		US Air
	Horizon		Air Canada/Jazz Air
	Virgin America		Port of Seattle
	Out of Service		

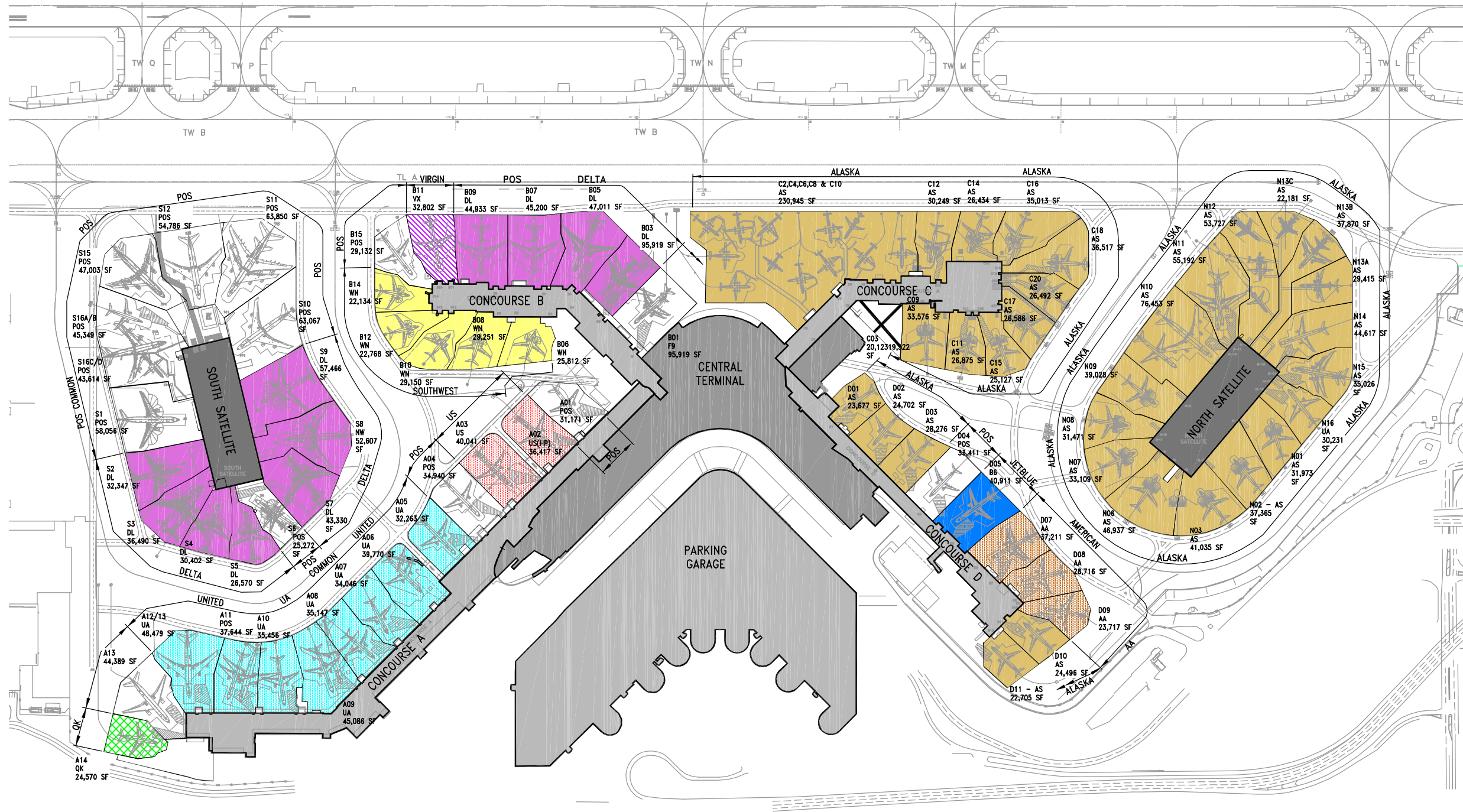


Port of Seattle/Aviation Properties Seattle-Tacoma International Airport		DATE:
BUILDING: MAIN TERMINAL & SATELLITES		SCALE:
LEVEL:		DRAWN BY:
LOCATION: GATES		CHECKED BY:
		EXHIBIT NO.:

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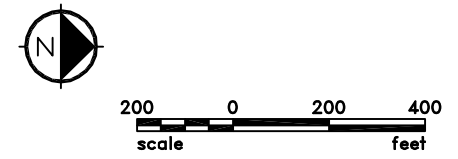
# 2014 Final Gate Allocation

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	Alaska Airlines		Frontier
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	JetBlue		United
	Delta/Northwest		US Air
	Horizon		Air Canada/Jazz Air
	Virgin America		Port of Seattle
	Out of Service		



Port of Seattle/Aviation Properties Seattle-Tacoma International Airport		DATE:
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## 2014 FINAL GATE ALLOCATION

Sea-Tac International Airport

Effective January 1, 2014

	AVG SEAT/GATE
MONTHLY THRESHOLD =	25,079
DAILY THRESHOLD (31 DAYS) =	809

Item	Signatory Carriers	Scheduled Outbound Seats	Gates Assigned	Raw Score (Assigns 70 Preferential Gates)	INITIAL PROPOSED ALLOCATION (SEP 15, 2013)	INTERIM ALLOCATION (OCT 15, 2013)	FINAL ALLOCATION (NOV 15, 2013)	Gates Assigned	Gates Allocated
		Aug-13	If All Available Gates	89.7436%	Over 0.50 Rounded UP	Per Airline responses	Per Airline responses		
1	Alaska Airlines (incl OO)	667,693	26.62	23.893	24	24	24		C9,C11,C15,C16,C17,C18,C20,D1,D2,D3,D10,D11,N1,N2,N3,N6,N7,N8,N9,N10,N11,N14,N15,N16
2	Delta Air Lines	272,671	10.873	9.758	10	10	11		B3,B5,B7,B9,S2,S3,S4,S5,S7,S8,S9
3	Horizon	250,564	9.991	8.966	9	9	9		C2,C4,C6,C8,C10,C12,C14,N12,N13
4	United Airlines (incl OO)	205,580	8.20	7.357	8	8	8		A5,A6,A7,A8,A9,A10,A11,A12
5	Southwest Airlines	182,899	7.29	6.545	7	5	5		B6,B8,B10,B12,B14
6	American Airlines	78,404	3.126	2.806	3	3	3		D7,D8,D9
7	US Airways	65,125	2.597	2.331	2	2	2		A2,A3
8	JetBlue Airways	46,500	1.85	1.664	2	1	1		D5
9	Virgin America	39,734	1.58	1.422	2	1	1		B11
10	Frontier Airlines	20,736	0.83	0.742	1	1	0		
11	Air Canada (incl QK)	20,646	0.823	0.739	1	1	1		A14
12	Hawaiian Airlines	16,632	0.663	0.595	1	0	0		
13	ANA	11,656	0.465	0.417	0				
14	Sun Country Airlines	10,638	0.424	0.381	0				
15	Korean Air	9,331	0.372	0.334	0				
16	British Airways	9,021	0.360	0.323	0				
17	EVA Air	8,360	0.333	0.299	0				
18	Asiana Airlines	8,308	0.331	0.297	0				
19	Emirates	8,246	0.329	0.295	0				
20	Lufthansa German Airlines	6,890	0.275	0.247	0				
21	Hainan Airlines	6,851	0.273	0.245	0				
22	Icelandair	5,859	0.234	0.210	0				
23	Condor	3,780	0.151	0.135	0				
<b>TOTAL</b>		<b>1,956,124</b>	<b>78</b>	<b>70</b>	<b>70</b>	<b>65</b>	<b>65</b>		

<b>Port Gates</b>	S1,S6,S10,S11,S12,S15,S16,A1,A4,A13,B1,B15,D4
-------------------	---

<b>Port Gates--Common Use</b>	<b>8</b>
<b>Air Carrier Preferential Gates</b>	<b>70</b>
<b>Rejected Gates</b>	
<b>TOTAL GATES</b>	<b>78</b>

<b>Rejected Gates</b>	
-----------------------	--

**Notes:** Frontier rejected gate B3 and will operate on common use gates  
Delta offered and accepted B3 as preferential

**2014 EXHIBIT E**  
**SEA-TAC INTERNATIONAL AIRPORT**  
**FINAL GATE ALLOCATION**  
**EFFECTIVE JAN 1, 2014**

	Gate	Carrier	Comments
1	A1	POS	Port of Seattle
2	A2	US	US Airways
3	A3	US	US Airways
4	A4	POS	Port of Seattle
5	A5	UA	United
6	A6	UA	United
7	A7	UA	United
8	A8	UA	United
9	A9	UA	United
10	A10	UA	United
11	A11	UA	United
12	A12	UA	United
13	A13	POS	Port of Seattle
14	A14	AC	Air Canada

1	B1	POS	Port of Seattle
2	B3	DL	Delta
3	B5	DL	Delta
4	B6	WN	Southwest
5	B7	DL	Delta
6	B8	WN	Southwest
7	B9	DL	Delta
8	B10	WN	Southwest
9	B11	VX	Virgin America
10	B12	WN	Southwest
11	B14	WN	Southwest
12	B15	POS	Port of Seattle

1	C2	QX	Horizon
2	C4	QX	Horizon
3	C6	QX	Horizon
4	C8	QX	Horizon
5	C9	AS	Alaska
6	C10	QX	Horizon
7	C11	AS	Alaska
8	C12	QX	Horizon
9	C14	QX	Horizon
10	C15	AS	Alaska
11	C16	AS	Alaska
12	C17	AS	Alaska
13	C18	AS	Alaska
14	C20	AS	Alaska

	Gate	Carrier	Comments
1	D1	AS	Alaska
2	D2	AS	Alaska
3	D3	AS	Alaska
4	D4	POS	Port of Seattle
5	D5	B6	Jetblue
6	D7	AA	American
7	D8	AA	American
8	D9	AA	American
9	D10	AS	Alaska
10	D11	AS	Alaska

1	N1	AS	Alaska
2	N2	AS	Alaska
3	N3	AS	Alaska
4	N6	AS	Alaska
5	N7	AS	Alaska
6	N8	AS	Alaska
7	N9	AS	Alaska
8	N10	AS	Alaska
9	N11	AS	Alaska
10	N12	QX	Horizon
11	N13	QX	Horizon
12	N14	AS	Alaska
13	N15	AS	Alaska
14	N16	AS	Alaska

1	S1	POS	Port of Seattle
2	S2	DL	Delta
3	S3	DL	Delta
4	S4	DL	Delta
5	S5	DL	Delta
6	S6	POS	Port of Seattle
7	S7	DL	Delta
8	S8	DL	Delta
9	S9	DL	Delta
10	S10	POS	Port of Seattle
11	S11	POS	Port of Seattle
12	S12	POS	Port of Seattle
13	S15	POS	Port of Seattle
14	S16	POS	Port of Seattle

**NOTES:**

Gate Count

78

**PORT OF SEATTLE**  
**SIGNATORY LEASE AND OPERATING AGREEMENT**  
**2013 – 2017**

**AIRLINE:**

**<Airline Legal Name>**

**SEATTLE-TACOMA INTERNATIONAL AIRPORT**

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# PORT OF SEATTLE

## SEATTLE-TACOMA INTERNATIONAL AIRPORT

2013 – 2017

### SIGNATORY LEASE AND OPERATING AGREEMENT

Airline: <Airline Legal Name>

This SIGNATORY LEASE AND OPERATING AGREEMENT (this “Agreement”) is made by and between the PORT OF SEATTLE (the “Port”), a Washington municipal corporation, and <Airline Legal Name>, <Company Type and State> (the “Airline”).

#### RECITALS

The Port owns and operates the Seattle-Tacoma International Airport (the “Airport”) and has the authority to grant to Airline rights and privileges concerning the occupancy and use of the Airport.

The Airline desires to occupy or use certain Airport premises and facilities and to acquire from the Port certain rights and privileges in connection with its use of the Airport.

In consideration of the terms and conditions described below, the Port and Airline agree as follows:

#### ARTICLE 1

##### DEFINITIONS AND EXHIBITS

###### 1.1 Basic Data.

Each reference in this Agreement to any of the following subjects shall incorporate the information specified below:

Port: Port of Seattle.

Port’s Overnight Delivery and Street Address: Attn: Manager, Aviation Properties, Mezzanine Level, 17801 Pacific Highway So. Seattle, WA 98158.

Port’s Post Office and Payment Address: P. O. Box 34249-1249, Seattle, WA 98124-1249

Airline: <Airline Legal Name>

Airline’s Overnight Delivery Address: <Address>

Airline's Post Office Delivery Address: <Address>

Effective Date: January 1, 2013.

Term: The period of time beginning on the Effective Date and ending on the Expiration Date, unless earlier terminated as provided in this Agreement; *provided*, however, that this Agreement shall not commence for any Air Carrier unless both of the following conditions are satisfied: (a) four (4) Air Carriers that are currently performing scheduled passenger or cargo operations at the Airport and that also collectively account for at least fifty percent (50%) of the Terminal Rents and Landing Fees paid by all Air Carriers at the Airport during Fiscal Year 2012 have delivered duly executed Agreements in this form to the Port by November 15, 2013; *and* (b) at least six (6) other Air Carriers, that together with the four (4) Air Carriers described in the preceding subsection (a) account for at least sixty-six and two-thirds (66-2/3) percent of the Terminal Rents and Landing Fees paid by all Air Carriers at the Airport during Fiscal Year 2012, deliver to the Port by November 15, 2013 either duly executed Agreements in this form or written representations by a corporate officer of each such Air Carrier that they will unconditionally recommend and expect to receive Board approval of this Agreement and will, upon Board approval, promptly deliver executed Agreements in this form to the Port. If both of these conditions are satisfied, the Effective Date for a duly executed Agreement in this form delivered to the Port by any Air Carrier by December 15, 2013 shall be January 1, 2013, and the Effective Date for a duly executed Agreement in this form that is delivered to the Port after December 15, 2013 by any Air Carrier shall be the first day of the next month beginning no less than sixty (60) days after the date the duly executed Agreement is delivered to the Port, and until such Effective Date any such Air Carrier shall be deemed to be a Non-Signatory Airline on and after January 1, 2013.

Expiration Date: December 31, 2017.

Permitted Uses: As provided in Article 3.

Premises and Legal Description: As provided in Article 2.

Security Deposit: \$<Security Deposit>, as provided in Section 19.1.

## 1.2 Additional Defined Terms.

The following terms shall have the following meanings wherever used in this Agreement:

“AAAC” means the Airline Airport Affairs Committee established by the Signatory Airlines operating at the Airport.

“Affiliate” means any Air Carrier that is (a) flying in or out of the Airport solely for the benefit of a Contracting Carrier(s) and providing transportation of property or passengers for the Contracting Carrier under the name of the Contracting Carrier, (b) if flying under its own name,

not selling any seats in its own name and all seats are being sold in the name of the Contracting Carrier or (c) a wholly-owned subsidiary of the Contracting Carrier or a subsidiary of the same corporate parent as the Contracting Carrier.

“Air Carrier” means a carrier certificated by the Secretary of Transportation as a Passenger Carrier under 49 U.S.C. § 41102 or a Cargo Carrier under 49 U.S.C. § 41103.

“Airfield” means the total area comprised of the Airfield Apron Area, Airfield Movement Area and Airfield Commercial Area.

“Airfield Apron Area” or “Apron” means the paved areas surrounding the Terminal used by Passenger Carriers, including taxi lanes used for circulation and ramp areas used for parking of aircraft and ground service equipment and the remote parking areas designated for Airlines, not including Airfield Commercial Area ramps and taxi lanes.

“Airfield Commercial Area” means the land, taxi lanes, ramps and facilities outside the Airfield Movement Area, Aprons and Terminal used primarily for cargo activities and aircraft maintenance.

“Airfield Movement Area” means all landing areas, runways, taxiways, adjacent field areas and related support facilities (e.g. field lighting, navigational aides and cart roads).

“Airline Rate Bases” means the rate bases used to calculate Landing Fees or Terminal Rents as provided in Article 8.

“Airline Rented Space” means all Exclusive Premises and Preferential Use Premises leased to any Signatory Airline, plus all Common Use Premises.

“Airline Support Systems and Equipment” shall mean various systems and equipment provided by the Port to support Airline operations at the Airport including but not limited to Common Use Baggage Claim and Baggage Make up Systems, Passenger Loading Bridges and utility systems and services, airport information technology systems, and electric ground service equipment (“EGSE”) charging stations used for airline vehicles.

“Airline Support Systems and Equipment Costs” means all the Capital Costs and O&M Expenses allocable to Airline Support Systems and Equipment.

“Airport” means the realty and improvements generally known and designated as the “Seattle-Tacoma International Airport.” The improvements on the realty consist of the runways, aircraft taxiways and parking aprons, the passenger and freight terminal buildings, hangars, vehicle roadways and parking facilities, and all other improvements on such realty. The term “Airport” shall also include any adjacent or nearby realty hereafter acquired for purposes of the Airport by the Port and all improvements hereafter constructed on such realty.

“Approved Projects” means those previously approved Capital Improvement projects as described in Section 6.1 and listed in **Exhibit F**.

“Baggage Claim Areas” means the areas located in the Terminal where inbound baggage is unloaded and/or delivered to and claimed by arriving passengers.

“Baggage Make up Areas” means the areas located in the Terminal where outbound baggage is sorted for delivery to departing aircraft.

“Baggage Make up Circulation Space” means the areas within the Terminal that are associated with the movement of bags from Baggage Make up devices to aircraft.

“Baggage Make up System” means all equipment owned, operated and maintained by the Port associated with the transportation of baggage from Ticket Counters to baggage make up devices.

“Baggage Make up System Space” means the footprint of the Baggage Make up devices plus adjacent circulation space sufficient to accommodate the parking of tugs and carts required during operations of the devices.

“Baggage System Costs” shall mean all Capital Costs and O&M Expenses allocable to the Baggage Make up System and the Common Use Baggage Claim System.

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

- (a) Debt service (net of PFC’s) allocable to revenue bond-funded Capital Improvements.
- (b) Amortization allocable to Capital Improvements funded with airport revenue expended on or after January 1, 1992, based on the economic life for each Capital Improvement and calculated using an interest rate set to equal comparable published average borrowing costs for debt financings by comparable public entities during the calendar year when such Capital Improvement is put in service.
- (c) Debt service coverage, if for any given Fiscal Year a charge for debt service coverage is necessary to maintain total Airport debt service coverage at no less than 1.25 times the sum of debt service for that Fiscal Year.

A copy of the Port’s current Debt Service Schedule is attached as **Exhibit I** to this Agreement.

“Capital Improvement” means a single addition or improvement to the Airport’s physical plant or equipment consistent with the Port’s Capitalization Guidelines attached as **Exhibit H**, as may be amended by the Port.

“Cargo Carrier” means a carrier certificated by the Secretary of Transportation as a Cargo Carrier under 49 U.S.C. § 41103.

“Chair of the AAAC” means the representative of the Signatory Airline designated as such by the members of the AAAC.

“Common Use Baggage Claim Areas” means the space in the Terminal (excluding the FIS Area) designated by the Managing Director to be used in common with other Airlines for the delivery of inbound baggage to arriving passengers, including the areas where Common Use Baggage Claim Systems are located.

“Common Use Baggage Claim System” means equipment owned, operated and maintained by the Port that delivers inbound baggage to arriving passengers.

“Common Use Baggage Make up System” means equipment owned, operated and maintained by the Port that sorts outbound baggage for delivery to departing aircraft.

“Common Use Baggage Make up System Space” means the space in the Terminal designated by the Managing Director to be used in common with other Airlines for the transportation and sorting of outbound baggage for delivery to departing aircraft.

“Common Use Baggage System Costs” means all the Capital Costs and O&M Expenses allocable to the Common Use Baggage Claim System and the Common Use Gaggage Make up System.

“Common Use Gates” means the space in the Terminal designated by the Managing Director to be used in common with other Airlines for passenger holdrooms and gate areas and does not include any Preferential Use Gates.

“Common Use Hardstands” means an aircraft parking position not contiguous to the Terminal and not exclusively leased to any Air Carrier.

“Common Use Passenger Loading Bridge” means a passenger loading bridge and related equipment owned and maintained by the Port and serving a Common Use Gate.

“Common Use Premises” means those areas within the Terminal including Common Use Baggage Make up System Space, Common Use Gates, Common Use Ticket Counters, Common Use Baggage Claim Areas that are made available by the Port to Airline and to one or more other Air Carriers, as more fully described in the Premises Notice.

“Common Use Ticket Counters” means the space in the Terminal designated by the Managing Director to be used in common with other Airlines for ticket counters and associated queuing space.

“Contracting Carrier” means a Signatory Airline who contracts with another Air Carrier that is an Affiliate.

“Date of Beneficial Occupancy” means the date when a project or a phased element of a project has been completed and the Director determines that it is available for use by Air Carriers.

“Deplaned Domestic Passengers” means passengers (including non-revenue passengers) disembarking from a domestic flight and pre-cleared passengers disembarking from an international flight at the Terminal, but does not include the flight crew.

“Deplaned International Passengers” means passengers (including non-revenue passengers) disembarking from an international flight at the Terminal, but does not include pre-cleared passengers or the flight crew.

“Director” means the Managing Director, Aviation Division, of the Port or his/her successor.”“

“Exclusive Premises” means any office space, storage area, VIP Lounge, employee break room, baggage service office, Ticket Counter or other areas of the Terminal designated for the exclusive use by Airline in the Premises Notice, and includes any Shared Exclusive Premises.

“Exempt Projects” means those Capital Improvements subject to Section 6.5 of the Agreement.

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

“FIS Facility” means the Federal Inspection Services Facility located in the Terminal and is sometimes referred to as the “International Arrivals Facility.”

“Fiscal Year” means a year beginning January 1 and ending December 31.

“Gate” means those portions of the Terminal individually comprised of a passenger loading bridge, if any, and a passenger hold room.

“Gate Ramp” means the ramp area associated with each Gate.

“Gross Revenues” means the selling price, whether for cash or credit, of all alcoholic beverages or other beverages, and any related food service items sold at the VIP Lounge, but shall exclude any sales or other excise tax imposed upon the purchaser and collected by the Airline as agent for the taxing body imposing the tax and billed to the purchaser as a separate item.

“International Gate” means a Gate that provides international aircraft direct access to the FIS Facility.

“Landing Fees” means the fees described in Article 8.

“Majority-in-Interest” means Air Carriers that account for more than fifty-five (55) percent in number of the Signatory Airlines and that also account for more than fifty-five (55) percent of the Terminal Rents and Landing Fees paid by all Signatory Airlines at the Airport during the immediately preceding Fiscal Year.

“Majority-in-Interest Threshold” means a total estimated project budget (i) at or above 3 Million Dollars (\$3M) for a Terminal or Airfield Capital Improvement, or (ii) at or above 5.4 Million Dollars (\$5.4M) for a roadway Capital Improvement.

“Maximum Gross Landed Weight” means the maximum weight in thousand pound units at which each aircraft operated by Airline is authorized by the FAA to land at the Airport.

“Net Revenue” means Airport Net Operating Income plus (a) interest income on the Airport Development Fund plus (b) grants treated as non-operating revenues used to fund operating expenses, less (c) the Customer Facility Charge surplus, if any, and less (d) other non-operating expenses paid out of the Airport Development Fund; *provided*, however, that during the Term, the recognition of \$5,959,372 used to reduce the Airfield Movement Area Requirement and \$11,920,531 used to reduce the Terminal Building Requirement in Fiscal Year 2013 under Sections 8.2.1 and 8.3.1, respectively, shall not be measured using the straight-line accounting method.

“New Projects” means Capital Improvement projects that are not Approved Projects or Exempt Projects.

“Non-Airline Support Systems and Equipment” shall mean various systems and equipment, if any, provided by the Port to support operations at the Airport by tenants other than Air Carriers.

“Non-Airline Support Systems and Equipment Costs” means all the Capital Costs and O&M Expenses allocable to Non-Airline Support Systems and Equipment.

“Non-Signatory Airline” means any Air Carrier that is not a Signatory Airline.

“Open Storage Space” means unimproved, not fully-enclosed space.

“Operations and Maintenance Expenses” or “O&M Expenses” means operations and maintenance expenses of the Airport.

“Other Airfield Movement Area Revenue” means revenue derived from fees charged for the use of the Airfield Movement Area other than Landing Fees such as badge fees and land rent.

“Outbound Checked Bags” means the actual number of outbound bags or other checked items (including bags transferred aircraft-to-aircraft if the bags entered the outbound baggage system) delivered on the Baggage Make up System.

“Passenger Carrier” means an air carrier certificated by the Secretary of Transportation under 49 U.S.C. § 41102.

“Passenger Facility Charges” or “PFCs” means charges authorized by 49 U.S.C. § 40117 and applicable implementing regulations adopted by the FAA, as they may be amended from time to time.

“Port Passenger Processing Equipment” means equipment owned and installed by the Port for use in passenger processing, which may include all or some of, equipment casework, gate information displays (“GIDS”), boarding gate readers, passenger processing workstations, seating and self-service kiosks (for boarding passes and bag tagging).

“Preferential Use Baggage Make up System Space” means the space in the Terminal assigned by the Port as Preferential Use Premises as set forth in Article 5 to be used by Airline for the transportation and sorting of outbound baggage for delivery to departing aircraft.

“Preferential Use Gate” means a Gate assigned by the Port for Preferential Use by a Signatory Airline as set forth in Article 4.

“Preferential Use International Gate” means an International Gate assigned by the Port for Preferential Use by a Signatory Airline as set forth in Article 4.

“Preferential Use Premises” means those areas designated as such in the Premises Notice that are within the Terminal, including Preferential Use Baggage Make up System Space, Preferential Use Gates and Preferential Use Ticket Counters and to which Airline has a higher priority of use over all other Air Carriers.

“Preferential Use Ticket Counter” means a Ticket Counter assigned by the Port as Preferential Use Premises to a Signatory Airline as set forth in Article 5.

“Premises” means any: (a) Exclusive Premises, (b) Preferential Use Premises; and (c) Common Use Premises; *provided*, however, that in the case of Common Use Premises, such areas will only constitute “Premises” during the period of time for which Airline has the right to use such areas.

“Premises Notice” means the notice described in subsection 2.3.1.

“Public Areas” means sidewalks, concourses, corridors, lobbies, passageways, restrooms, elevators, escalators and other similar space made available by the Port from time to time for use by passengers, Port and Airline employees and other members of the public.

“Ramp Tower Revenues” means all revenues received by the Port from payments of Ramp Tower Fees.

“Rentable Space” means any areas in the Terminal that are available for use by Airlines, other aeronautical users, concessionaires or Port or other governmental users on an exclusive, preferential or common use basis, as designated by the Managing Director, and shall include Security Checkpoint Areas, but shall not include Open Storage Space.

“RON Parking Revenues” means all revenues received by the Port from payments for the use of remote parking areas for RON Parking.

“Scheduled Airline” means an Air Carrier performing scheduled passenger service operations at the Airport.

“Scheduled Operation” means a Scheduled Airline’s operation (arrival or departure) that occurs pursuant to a schedule that is published in the Official Airline Guide (OAG) or any successor publication and that is also made available to the Port at least forty-five (45) days prior to the commencement of such operation.

“Security Checkpoint Area” means an area used for passenger security screening and associated queuing space as designated by the Managing Director.



“Shared Exclusive Premises” means Exclusive Premises assigned to Airline pursuant to a Premises Notice that are also assigned by the Port to other Signatory Airlines on an equal percentage basis pursuant to a lease agreement, and designated as Shared Exclusive Premises in the Premises Notice.

“Signatory Airline” means any Air Carrier that has entered into an agreement with the Port substantially similar to this Agreement.

“2006 SLOA” means the Signatory Lease and Operating Agreement between Airline or other Air Carriers and the Port dated January 1, 2006.

“Terminal” means Gates, Ticket Counters, Baggage Claim Areas, Baggage Make up areas, Security Checkpoint Areas, office space, storage areas, concourses, lobbies, VIP lounges, the FIS Facility, employee break rooms and Public Areas located within the “drip-line” of the passenger terminal building at the Airport. For purposes of this definition, the “drip-line” means the footprint (improved or unimproved) inside the outer limits of the passenger terminal building, which in all cases should not extend beyond the roof-drip line.

“Terminal Rents” means the rents charged by the Port for Airline’s use of the Terminal, as described in Article 8.

“Ticket Counter Space” means all the space available for assignment as either Preferential Use Ticket Counters or Common Use Ticket Counters.

“Ticket Counters” means those areas made available by the Port for use by Airline for ticketing passengers and similar activities, including curbside check-in positions, and associated queuing space.

“Turn” means the active arrival and departure of an aircraft from a Gate and may be measured in halves. The movement of an empty aircraft to or from a Gate shall not constitute half a “Turn.”

“VIP Lounge” means those Exclusive Premises used by Airline to provide premium services to its passengers.

### 1.3 Exhibits.

Exhibit A: INTENTIONALLY OMITTED.

Exhibit B: Airport Legal Description and Drawing

Exhibit C: Premises Notice

Exhibit D: Gate Use, Assignment and Scheduling Procedures.

Exhibit E: Preferential Use Gate Assignments

Exhibit F: Approved Capital Improvement Projects

Exhibit G: INTENTIONALLY OMITTED

Exhibit H: Port's Capitalization Guidelines

Exhibit I: Debt Service Schedule

Exhibit J: Article 8 Airfield Fee Calculations

Exhibit K: Article 8 Terminal Rent Calculations

Exhibit L: Article 8 FIS Fee Calculations

## **ARTICLE 2**

### **GRANT OF RIGHTS TO USE AIRPORT**

The Port grants to Airline the rights of occupancy and use in certain areas located within the Airport as provided in this Article, subject to the terms of this Agreement. The legal description of the Airport is attached hereto as **Exhibit B** and incorporated herein by this reference.

#### **2.1 Rights to Use Airfield Area.**

The Port grants to Airline a nonexclusive license to use the Airfield Area, in common with others, subject at all times to the exclusive control and management by the Port.

#### **2.2 Rights to Use Public Areas.**

The Port grants to Airline a nonexclusive license to use the Public Areas within the Terminal, in common with others, subject at all times to the exclusive control and management by the Port. Port shall have the right to relocate, change or discontinue the use of any such area from time to time during the Term.

#### **2.3 Rights to Use Premises.**

2.3.1 **Premises Notice.** On or before the Effective Date, the Port will issue to Airline a Premises Notice, attached hereto as **Exhibit C** and incorporated herein by this reference, that will designate which areas of the Airport, if any, will be made available by the Port for use by Airline as: (a) Exclusive Premises, including Shared Exclusive Premises; (b) Preferential Use Premises; and (c) Common Use Premises (all, collectively, the "Premises"). Airline acknowledges and agrees that the Premises Notice will be revised by the Port and issued to Airline from time to time during the Term to reflect assignment and reallocation rights pursuant to this Agreement. The parties agree that, upon issuance by the Port, the revised Premises Notice shall be attached and incorporated to the Agreement and shall update and replace the last issued **Exhibit C** without further amendment of the Agreement.

2.3.2 **Exclusive Premises.** The Port grants to Airline the exclusive right to use the Exclusive Premises, including Shared Exclusive Premises, identified in the Premises Notice.

2.3.3 Preferential Use Premises. The Port grants to Airline, subject to Articles 4 and 5 of this Agreement, the right to use, on a preferential use basis, the Preferential Use Premises identified in the Premises Notice.

2.3.4 Common Use Premises. The Port grants to Airline, subject to Articles 4 and 5 of this Agreement, the right to use, on a common use basis, the Common Use Premises identified in the Premises Notice, subject at all times to the exclusive control and management by the Port. Subject to the provisions of Articles 4 and 5 of this Agreement, the Port reserves the right to revise Airline's right to use such Common Use Premises by sending to Airline a revised Premises Notice.

### **ARTICLE 3**

#### **USE OF AIRPORT**

##### **3.1 Limitations and Prohibitions on Use.**

Airline shall not use the Premises or cause or permit its employees or others to use the Premises for any other purpose than specified in this Agreement.

##### **3.2 Terminal.**

Use of the Terminal by Airline shall be limited to the following activities:

3.2.1 The operation of an air transportation business for the carriage of persons, property, baggage, cargo, express and mail, including but not limited to the following categories of flights: revenue, training, test, inspection, emergency, charter and sightseeing.

3.2.2 The hiring and training of personnel in the employ of or to be employed by Airline, and the training of Airline's contractors.

3.2.3 The use alone or in conjunction with other Air Carriers, for any and all purposes in connection with or incidental to the operation of an air transportation business, including the handling of reservations, the handling, ticketing and billing of passengers, and the operation of passenger clubs and lounge rooms, and, to the extent permitted by law, the serving of food and beverages in such passenger clubs and lounge rooms.

3.2.4 The installation and operation, at Airline's expense, of identification signs advertising the business of Airline, which shall be substantially uniform in size, type and location with those of other Air Carriers, the number, type, size, design and location of which shall be consistent with Port standards and subject to the approval of the Port, which shall not be unreasonably withheld or delayed.

##### **3.3 Gates.**

Subject to Article 4 (Assignment and Use of Gates), the use of Gates by Airline shall be limited to:

3.3.1 The ticketing, boarding, unboarding and billing of passengers, the use of the passenger holding areas as waiting areas for such passengers and the use of the Gate Ramp while the Gate is used by Airline.

3.3.2 Operational staging of equipment for fueling, servicing, loading, or unloading and line maintenance of aircraft that can be completed during the time period associated with a Scheduled Operation, *provided*, however, that:

(a) Nothing in this subsection shall be implied or construed to grant to Airline the right to store or park equipment on the Gate Ramp (other than as required for the regular servicing of aircraft at Gates); and

(b) In addition to the line maintenance permitted under subsection 3.3.2 above, at the Port's sole discretion and so long as it does not interfere with another Air Carrier's Scheduled Operations, the Port may permit Airline to perform emergency line maintenance of aircraft on the Gate Ramp.

### 3.4 **Airfield Area.**

The use of the Airfield Area and related facilities by Airline shall be limited to the following activities:

3.4.1 The servicing by Airline or others of Airline's aircraft, including Airline's servicing of its code-share partners and affiliates, and other equipment by truck or otherwise, with gasoline, fuel, or other propellants, de-icing or other supplies including food and beverages required by Airline.

3.4.2 The landing, taking off, flying, taxiing, towing, parking, loading or unloading of Airline's aircraft or the aircraft of any other Air Carrier.

3.4.3 The loading and unloading of any property, cargo, mail, and carriage of employees, in properly designated facilities, by such motor vehicles or other manner of conveyance as Airline may require in the operation of an air transportation business.

3.4.4 The installation, maintenance and operation by Airline of aircraft air-conditioning equipment, auxiliary power, start-up and miscellaneous support equipment reasonably necessary for Airline's operations and not otherwise provided by the Port. Any such equipment not reasonably required shall be promptly removed by Airline.

## **ARTICLE 4**

### **ASSIGNMENT AND USE OF GATES**

#### **4.1 No Exclusive Use Gates.**

All gates within the Terminal will be for either Common Use or Preferential Use in accordance with the terms of this Article. Airline's use of all Gates shall at all times be subject to the Port's Gate Use, Assignment and Scheduling Procedure, which may be amended from

time to time after consultation with the Signatory Airlines. A copy of the Port's current Gate Use, Assignment and Scheduling Procedures is attached as **Exhibit D** to this Agreement.

#### 4.2 **Definitions.**

For the purposes of this Article 4, the following terms shall have the following meanings:

##### 4.2.1 "Period of Use" for a Scheduled Operation means:

(a) For arrivals of aircraft the Period of Use shall commence thirty (30) minutes prior to a scheduled arrival. The Period of Use shall terminate sixty (60) minutes after scheduled arrival or upon the completion of the deboarding process, whichever is the earlier to occur.

(b) For departures of aircraft the Period of Use shall commence sixty (60) minutes prior to a scheduled domestic departure and ninety (90) minutes prior to a scheduled international departure. The Period of Use for such an originating flight shall terminate upon the actual departure of the aircraft from the Gate or thirty (30) minutes after scheduled departure time, whichever is the earliest to occur. The departure time shall be extended if the originating aircraft is being boarded and actively prepared for departure. In such instances, the extension shall extend only to the completion of the active boarding process.

There shall be no Period of Use for which Airline has a scheduling preference under this Article 4 with respect to any operation of Airline that occurs at the Airport pursuant to a published schedule that is not made available to the Port by Airline within the time limits required for a Scheduled Operation.

4.2.2 "Preferential Use" of a Gate means scheduling preference, over similar operations by another Scheduled Airline, given to a Signatory Airline for the use of a Gate during applicable Periods of Use for its Scheduled Operations.

4.2.3 "Requesting Airline" means a Scheduled Airline without adequate Gate access desirous of operating from the Airport.

4.2.4 "Scheduled Seats" means the average daily number of outbound seats on an Air Carrier's Scheduled Operations for the month of August of each year which is computed by dividing total outbound seats on an Air Carrier's Scheduled Operations for the month of August by thirty-one (31).

#### 4.3 **Annual Determination by the Port of the Total Number of Common Use Gates.**

Airline acknowledges that as of the Effective Date, the Port has made the annual determination of the number of Common Use Gates for Fiscal Year 2013 listed on attached **Exhibit E**, and has provided Airline with notice of such determination. Effective January 1<sup>st</sup> 2014 and January 1<sup>st</sup> of each Fiscal Year thereafter during the Term, the Director shall have sole discretion to determine the total number of Gates to be reserved for use as Common Use Gates during that year (after taking into consideration any recommendations by the Common Use

Facilities Advisory Committee). All remaining Gates available for use on January 1<sup>st</sup> of each Fiscal Year will be offered by the Port to Signatory Airlines for use as Preferential Use Gates to be allocated in accordance with Section 4.4. (Any Gate first becoming available for use after January 1<sup>st</sup> of each Fiscal Year shall be reserved for use as a Common Use Gate for the remainder of that Fiscal Year unless the Port and the Signatory Airlines agree otherwise.) The Port shall notify in writing all Signatory Airlines, including Airline, of its determination under this Section 4.3 no fewer than ninety (90) days before January 1<sup>st</sup> 2014 and January 1<sup>st</sup> of each Fiscal Year thereafter during the Term.

#### **4.4 Annual Determination of the Number and Locations of Preferential Use Gates to be Offered to Airline.**

Airline acknowledges that as of the Effective Date, the Port has made the annual determination of the number and locations of Preferential Use Gates for Fiscal Year 2013 and has provided Airline with notice of such determination and Gate assignment, and Airline has accepted assignment of the Preferential Use Gates listed on attached **Exhibits C and E**. Effective on January 1, 2014 and January 1<sup>st</sup> of each Fiscal Year thereafter, the Port shall apply the following methodology to determine the total number of Gates that will be offered to each Signatory Airline, including Airline, for its Preferential Use during the following Fiscal Year:

4.4.1 The Port shall first divide the number of Scheduled Seats for Airline by the total number of Scheduled Seats for all Signatory Airlines to determine Airline's percentage share of all Scheduled Seats.

4.4.2 The Port shall then calculate the number of Preferential Use Gates to be offered to Airline by multiplying Airline's percentage share of all Scheduled Seats for all Signatory Airlines by the total number of Gates to be made available for Preferential Use, and rounding the product to the nearest whole number; *provided*, however, that a product less than 0.5 shall not be eligible for rounding under this subsection.

4.4.3 If as a result of rounding the total number of Preferential Use Gates to be offered to all Signatory Airlines as computed in subsection 4.4.2 is less than the total number of Gates available for Preferential Use as determined under Section 4.3, the Port shall offer additional Preferential Use Gates to Signatory Airlines based on the unrounded results of the computations under subsection 4.4.2. The unallocated Preferential Use Gates shall be offered in priority order by first increasing by one (1) the number of Preferential Use Gates to be offered to the Signatory Airline whose unrounded subsection 4.4.2 product is nearest to 0.5 without equaling or exceeding 0.5 and next proceeding to increase by one (1) the number of Preferential Use Gates to be offered to the Signatory Airline whose unrounded subsection 4.4.2 product is second nearest to 0.5 without equaling or exceeding 0.5 and so on until the total number of Preferential Use Gates to be made available to all Signatory Airlines by the Port is reached.

4.4.4 If as a result of rounding the total number of Preferential Use Gates to be offered to all Signatory Airlines as computed in subsection 4.4.2 exceeds the total number of Gates available for Preferential Use as determined under Section 4.3, the Port shall reduce the number of calculated Preferential Use Gates to be offered to Signatory Airlines based on the unrounded results of the computations under subsection 4.4.2. The number of over-allocated

Preferential Use Gates shall be reduced in priority order by first reducing by one (1) the number of allocated Preferential Use Gates to the Signatory Airline whose unrounded subsection 4.4.2 product is nearest to 0.5 without being less than 0.5 and next proceeding to reduce by one (1) the number of Preferential Use Gates to be offered to the Signatory Airline whose unrounded subsection 4.4.2 product is second nearest 0.5 without being less than 0.5 and so on until the total number of Preferential Use Gates to be made available to all Signatory Airlines by the Port is reached.

4.4.5 If any Signatory Airline does not accept assignment of a Preferential Use Gate such Preferential Use Gate shall be designated as a Common Use Gate unless within the thirty (30) day acceptance period prescribed by this Section 4.4 the following two conditions are met: (i) another Signatory Airline has a written handling agreement, approved by the Port, with the Signatory Airline rejecting the Preferential Use Gate, and (ii) that other Signatory Airline demonstrates to the Port's satisfaction that it needs the rejected Preferential Use Gate reasonably to accommodate the rejecting Signatory Airline's flights, in which case the Gate shall be assigned to that other Signatory Airline as a Preferential Use Gate.

4.4.6 If subsection 4.4.5 is not triggered, or either of the conditions therein is not met, then the Port may elect to reassign a Preferential Use Gate not accepted by a Signatory Airline to another Signatory Airline if the Port determines the number of Common Use Gates determined in Section 4.3 is adequate to accommodate all Air Carrier operations needing to use Gates at the Airport. The Port will reallocate such Gates to Signatory Airlines requesting additional Preferential Use Gates in accordance with subsection 4.4.9. In the event the Port does not have sufficient Common Use Gates available for reassignment to all requesting Signatory Airlines, the Port will reassign the available Common Use Gates using the methodology described in subsection 4.4.3. Any Gate rejected for assignment as a Preferential Use Gate and not subsequently assigned to another Signatory Airline pursuant to this subsection will become a Common Use Gate.

4.4.7 If a Preferential Use Gate is designated as a Common Use Gate by operation of subsection 4.4.5 and is not reassigned to a Signatory Carrier for Preferential Use under subsection 4.4.6, the costs that would otherwise have been assigned to such Gate for rate-setting purposes under subsection 8.3.2 shall be evenly redistributed among all of the other rented space; *provided*, however, that any Common Use Gate charges paid to the Port for use of such Gate shall be credited against such redistributed costs.

4.4.8 The Port shall in its sole discretion determine the locations of any Preferential Use Gates to be offered and assigned to Airline, after taking into consideration the desirability of assigning contiguous Gates for Preferential Use by any given Signatory Airline and minimizing the frequency of changes in the locations of Preferential Use Gates, as well as any recommendations by the Common Use Facilities Advisory Committee (defined in Section 4.8 below).

4.4.9 No later than September 15<sup>th</sup> of each Fiscal Year during the Term, the Port shall provide written notice to all Signatory Airlines, including Airline, of its annual determination under this Section 4.4, and shall offer Airline the opportunity to be assigned the number of Preferential Use Gates indicated by these calculations. Airline shall provide written

notice to the Port no later than thirty (30) days after September 15<sup>th</sup> of each Fiscal Year during the Term, (i) if it wishes to reject any or all of that number of Gates offered by the Port for Preferential Use or (ii) if it wishes to have additional Preferential Use Gates assigned to it that may become available in accordance with subsection 4.4.6. Airline may not reject 'a Gate offered to it under this Section 4.4.9 unless it is adjacent to either a Common Use Gate or a Preferential Use Gate assigned to an Air Carrier other than Airline. **Exhibit E** attached to this Agreement displays the assignments (if any) of Preferential Use Gates to each Signatory Airline effective January 1, 2013, including Airline. The Port shall update **Exhibit E** by January 1, 2014 and January 1<sup>st</sup> of each Fiscal Year thereafter, to display the assignments of Preferential Use Gates, and the locations of Common Use Gates, effective January 1, 2014 and January 1<sup>st</sup> of each Fiscal Year thereafter.

4.4.10 If the numbers or locations of Preferential Use Gates offered to Airline are changed during the term of this Agreement, Airline may, upon thirty (30) days written notice to the Port, terminate its rights to those portions of the Exclusive Premises that are no longer proximate to the Preferential Use Gates offered to Airline. Upon Airline's request, the Port shall use reasonable efforts to provide Airline with substitute Exclusive Premises more proximate to newly assigned Preferential Gates assigned to Airline, for the remaining Term. The Port shall issue a revised Premises Notice to Airline documenting the deletion or substitution of any Exclusive Premises under this Section. The reasonable costs of relocating the Preferential Use Gates assigned to Airline or any Signatory Airline, plus the reasonable costs of Airline's or each Signatory Airline's tenant improvements at the substitute Exclusive Premises when constructed with the Port's consent under subsection 12.3.1 of this Agreement, shall be paid by the Port and included in the Terminal Revenue Requirement calculated under subsection 8.3.1 of this Agreement.

#### **4.5 Port Scheduling Rights at Preferential Use Gates.**

4.5.1 The Port shall have the right, upon reasonable notice to Airline, to schedule at a Preferential Use Gate arrivals and departures by a Requesting Airline at all periods of time other than Airline's Periods of Use of that Preferential Use Gate. In accommodating the Port in its right to schedule such operations, Airline shall allow and provide for use of its facilities or equipment (not including ground service equipment) at the Preferential Use Gate, or permit use of Port equipment and podiums, as may be required for the efficient use of the Preferential Use Gate by a Requesting Airline.

4.5.2 The Port shall have the right, upon reasonable notice to Airline, when no International Gate is available to schedule at Airline's Preferential Use International Gate arrivals by a Requesting Airline that require use of an International Gate even if it would displace Airline's Scheduled Operation that does not require use of such International Gate for arrival. In accommodating the Port in its right to schedule such operations, Airline shall allow and provide for use of its facilities or equipment (not including ground service equipment) at the Preferential Use International Gate, or permit use of Port equipment and podiums, as may be required for the efficient use of the Preferential Use International Gate by a Requesting Airline, subject to Section 4.6.



4.5.3 In the event that the Port cannot accommodate a Requesting Carrier at a Common Use Gate due to aircraft size and the Gate Ramp for a Scheduled Operation at a Preferential Use Gate can accommodate an aircraft larger than that used in the Scheduled Operation, the Port shall have the right, upon reasonable notice to Airline, to schedule at a Preferential Use Gate arrivals and departures by a Requesting Airline with a large size aircraft even if it would displace another Scheduled Operation. In accommodating the Port in its right to schedule such operations, Airline shall allow and provide for use of its facilities or equipment (not including ground service equipment) at the Preferential Use Gate, or permit use of Port equipment and podiums, as may be required for the efficient use of the Preferential Use Gate by a Requesting Airline, subject to Section 4.6.

4.5.4 The Port shall, consistent with the priorities set forth in Exhibit D, attempt to accommodate Requesting Airlines at Common Use Gates before scheduling Requesting Airline arrivals and departures at any Preferential Use Gates.

4.5.5 If, in the exercise of its rights under subsection 4.5.2 and 4.5.3, the Port is unable to accommodate Airline's displaced Scheduled Operation at one of Airline's Preferential Use Gates, the Port shall accommodate Airline's displaced Scheduled Operation at a Common Use Gate without levying the Common Use Gate charge required under subsection 8.5.3. The Port shall consider Airline's preference for a specific Common Use Gate prior to accommodating Airline's displaced Scheduled Operation under this subsection 4.5.5.

4.5.6 Notwithstanding the foregoing and any other provision of this Article 4, the Port shall have the right, upon reasonable notice to Airline, to schedule at a Preferential Use Gate arrivals and departures by a Requesting Airline during Airline's Periods of Use of that Preferential Use Gate, if Airline is not utilizing that Preferential Gate during the Period of Use for a Scheduled Operation.

#### **4.6 Charges for Use of Gate by Another Carrier.**

Any Requesting Airline that is accommodated at any of Airline's Preferential Use Gates shall be required to pay Airline the same charges for use of the Gate that it would have been required to pay the Port for use of a Common Use Gate plus a fifteen percent (15%) administrative fee, and Airline may not demand any additional payments from the Requesting Airline on account of its use of the Gate. Airline may, however, require as a condition of accommodation that the Requesting Airline provide (a) indemnification reasonably satisfactory to Airline; *provided*, however, that Airline may not require indemnification that is broader than the indemnification Airline has given to the Port under Article 14 of this Agreement, (b) proof of insurance of the types and with the limits of coverage required to be carried by Airline under Article 14 of this Agreement and (c) a deposit securing payment of the charges to Airline; *provided*, however, that Airline may not require a security deposit that is greater than the security deposit, if any, Airline has given to the Port under Article 19 of this Agreement.

#### **4.7 Port's Control of Common Use Gates.**

The Port shall retain exclusive control of the use of all Common Use Gates.

#### 4.8 **Common Use Facilities Advisory Committee.**

The Port shall establish a Common Use Facilities Advisory Committee (“Committee”), composed of representatives designated by the Port and representatives of the Signatory Airlines designated by the AAAC. The Committee shall review and make recommendations to the Port about the numbers of Gates to be reserved for use as Common Use Gates during any Fiscal Year and about the locations within the Terminal of Common Use Gates and Preferential Use Gates. The Committee shall consider both the operational efficiency (from the perspectives of the Port, the Signatory Airlines and any Non-Signatory Airlines) and the customer service implications of its recommendations. The Committee’s recommendations about the numbers of Gates to be reserved for use as Common Use Gates shall take into account the expected average number of Scheduled Seats to be accommodated by all Gates at the Airport during the coming year. The final numbers and locations of all Common Use and Preferential Use Gates, however, shall be determined by the Director’s sole discretion, after taking account of the recommendations, if any, of the Committee.

#### 4.9 **Port Passenger Processing Equipment.**

The Port reserves the right to install Port Passenger Processing Equipment at all Common Use and Preferential Use Gates, *provided*, however, that the Port will not install Port Passenger Processing Equipment at any of Airline’s Preferential Use Gates unless the Port reasonably expects Air Carriers other than Airline to have Scheduled Operations at Airline’s Preferential Use Gates. The Port shall maintain Passenger Processing Equipment the Port installs under this Section 4.9 consistent with standards published by the Port in its Airport Rules and Regulations.

### ARTICLE 5

#### ASSIGNMENT AND USE OF OTHER TERMINAL FACILITIES

##### 5.1 **General.**

The Port and Airline agree that facilities within the Terminal are limited and that the availability and use of certain facilities in the Terminal during the Term is expected to change.

##### 5.2 **One-time Reallocation of Premises (Other Than Gates).**

5.2.1 In addition to all of its other rights under this Agreement, the Port may once during the Term, at a time determined at the Port’s sole discretion, reallocate certain Terminal space, including Preferential Use Premises, among the Signatory Airlines and may change the designation of certain premises within the Terminal as exclusive, preferential or common use to accommodate the reallocation. Airline acknowledges that such reallocations will be completed in phases and may result in a change in the Premises made available by the Port for use by Airline. The Port will develop a reallocation plan after consulting with the Signatory Airlines. The reallocation plan shall take into account the following factors, among others:

(a) Each Signatory Airline’s historical, current and reasonably projected frequency of operations;

- (b) Each Signatory Airline's historical, current and reasonably projected number of enplaning and deplaning passengers;
- (c) Each Signatory Airline's use and occupancy of Common Use and Preferential Use Gates;
- (d) Each Signatory Airline's use and occupancy of facilities, other than Gates, within the Terminal;
- (e) The need to correct an imbalanced use of Terminal facilities or to reduce congestion in the Terminal or at the curbside; and
- (f) The need to accommodate Non-Signatory Airlines.

5.2.2 The Port shall give Airline, and all other Signatory Airlines, not less than one hundred and twenty (120) days written notice of its proposed reallocation plan before any of the reallocations take effect under this Section 5.2. Airline may, within thirty (30) days of receiving such written notice submit to the Port in writing any objections it may have to the Port's proposed reallocation plan. The Port shall take into account any objections to the proposed reallocations submitted by the Signatory Airlines, including Airline, before making its final decision with respect to reallocations. The Port shall give Airline, and all other Signatory Airlines, written notice of its final decision on Terminal space reallocations to be made under this Section 5.2, including notice of any resulting increase in Airline's exclusive or preferential space, not less than sixty (60) days before any of the reallocations take effect ("Final Notice Period"). The Port shall also give Airline not less than sixty (60) days written notice before any reallocations affecting Terminal premises used by Airline are due to take effect. Unless Airline objects in writing during the initial thirty (30) days of the Final Notice Period, the Port may reallocate Terminal space under this Section 5.2 in such a way that Airline is subject to an increase in the amount of space that is assigned for Airline's exclusive or preferential use.

5.2.3 In implementing such reallocations, the Port shall attempt to minimize disruptions to the Airline's operations and to preserve the operational integrity of the Premises made available for use by Airline during and after such reallocations.

5.2.4 The reasonable costs of relocating each Signatory Airline's furniture, equipment and signage in connection with the reallocation of premises among the Signatory Airlines under this Section 5.2, plus the reasonable costs of each Signatory Airline's tenant improvements to the relocated premises when constructed with the Port's consent under subsection 12.3.1 of this Agreement, shall be paid by the Port and included in the Terminal Building Requirement calculated under subsection 8.3.1 of this Agreement. Notwithstanding the foregoing, the Port shall not reimburse Airline under this subsection 5.2.4 for any costs associated with Airline's unamortized improvements at those Premises occupied by Airline prior to reallocation under Section 5.2.

5.2.5 The Port shall revise the Premises Notice issued to Airline under subsection 2.3.1 of this Agreement to reflect any reallocations of Terminal space made available

by the Port for use by Airline and shall issue such a revised Premises Notice to Airline when any such reallocations take effect.

### **5.3 Priorities for Accommodation.**

If the Port receives a request for access to space in the Terminal (other than Gates, which are subject to the provisions of Article 4 of this Agreement) from any Air Carrier seeking to commence or expand Scheduled Operations at the Airport (“Requesting Airline”), the Port shall, whenever possible, accommodate such a request by providing access to existing common use space under the Port’s control. If such common use space is unavailable or inadequate to meet the reasonable requirements of the Requesting Airline, as determined by the Port, the Port shall encourage Signatory Airlines voluntarily to accommodate the Requesting Airline, by subletting or otherwise making available for use by the Requesting Airline space within the Terminal that is subject to their exclusive or preferential use. The Port will notify the Chair of the AAAC in writing when the Port has determined that a Requesting Airline cannot be accommodated in common use space, and the Signatory Airlines will have fifteen (15) calendar days from the receipt of such notice by the Chair of the AAAC to voluntarily agree to accommodate the Requesting Airline. Any such agreements to accommodate a Requesting Airline must be in writing and are subject to approval by the Port under Article 18 of this Agreement. If a Requesting Airline is unable to meet its reasonable requirements, as determined by the Port, by using common use space made available by the Port or by using space voluntarily made available by Signatory Airlines, the Port shall have the right, upon fifteen (15) calendar days notice to Airline, to require Airline to accommodate the Requesting Airline in space designated by the Port by allowing the Requesting Airline to use Airline’s Preferential Use Premises, subject to Section 5.4, below; *provided*, however, that if the Requesting Airline is a Signatory Airline, the Requesting Airline must show, to the Port’s satisfaction, that it cannot reasonably accommodate its own expanded service within the Terminal space already subject to its exclusive or preferential use. If the Port is unable to meet the reasonable requirements of the Requesting Airline, as determined by the Port, after requiring the Signatory Airlines, including Airline, to accommodate the Requesting Airline in their preferential use space, the Port shall consider whether the reasonable requirements of the Requesting Airline could be met in a reasonable, cost-effective way by constructing temporary or permanent new facilities. Only if all of these measures are inadequate to meet the reasonable requirements of the Requesting Airline, as determined by the Port, may the Port exercise its right to consolidate Airline’s operations under Section 5.6, below.

### **5.4 Accommodation in Preferential Use Premises.**

The Port may not require Airline to accommodate a Requesting Airline in space that is subject to Airline’s preferential use if such accommodation would require Airline to reschedule a scheduled arrival or departure during Airline’s Periods of Use as defined in Article 4 of this Agreement. Airline shall, consistent with its rights to preferential use, accommodate such Requesting Airline as directed by the Port by providing access to and use of its Preferential Use Premises; Airline may, however, require as a condition of accommodation that the Requesting Airline provide (a) indemnification reasonably satisfactory to Airline (although Airline may not require indemnification that is broader than the indemnification Airline has given to the Port

under Article 14 of this Agreement) and (b) proof of insurance of the types and with the limits of coverage required to be carried by Airline under Article 14 of this Agreement.

#### **5.5 Charges for Use of Facilities by Another Carrier.**

Any Requesting Airline that is accommodated at any facilities (other than Gates) used by Airline on an exclusive or preferential use basis shall, in the absence of an agreement with Airline, be required (a) to pay Airline the same charges for use of the space that it would have been required to pay the Port for use of such a facility on a common use basis, (b) to reimburse Airline for any additional Port charges Airline incurs as a result of its accommodation of the Requesting Airline and (c) a fifteen percent (15%) administrative fee. Airline shall not demand any additional payments from the Requesting Airline on account of its use of such a facility.

#### **5.6 Consolidation of Operations.**

5.6.1 If the Port is unable otherwise to meet the reasonable requirements of a Requesting Airline in accordance with the priorities established in Section 5.3, above, and the Port determines that Airline is under-utilizing its Preferential Use Premises (other than Gates), the Port may, upon not less than thirty (30) days written notice to Airline, require Airline to vacate its under-utilized Preferential Use Premises and consolidate its operations in its remaining Preferential Use Premises. The Port's determination of Airline's utilization of Preferential Use Premises (other than Gates) shall be made in the Port's sole discretion and may take into account, among other things, the factors listed in subsection 5.2.1, above. Airline may request the Port to reconsider its determination of under-utilization within fifteen (15) calendar days of receipt of the Port's notice to consolidate and, if it does so, Airline shall provide reasonable documentation of its need for the Premises that are the subject of the notice. If the Port, after reconsidering its determination, elects to proceed with the consolidation, the Port shall give Airline not less than fifteen (15) calendar days notice to vacate such Premises. The Port may either assign the vacated premises to the Requesting Airline on a preferential use basis, if the Requesting Airline is or becomes a Signatory Airline, or deem the vacated premises to be available for common use subject to the Port's exclusive control.

5.6.2 The reasonable costs of relocating Airline's furniture, equipment and signage in connection with the consolidation of Airline's operations, if required by the Port under this subsection, plus the reasonable costs of Airline's tenant improvements that cannot be relocated, when originally constructed with the Port's consent, shall be paid by the Port and included in the Terminal Revenue Requirement calculated under subsection 8.3.1 of this Agreement.

5.6.3 The Port shall revise the Premises Notice issued to Airline under subsection 2.3.1 of this Agreement to reflect any consolidation of Airline's operations required by the Port under Section 5.6 and shall issue such a revised Premises Notice to Airline when any such consolidation takes effect.

## ARTICLE 6

### CAPITAL IMPROVEMENTS

#### 6.1 **Previously Approved Capital Improvement Projects.**

Airline previously approved each of the Capital Improvement projects listed on Exhibit F attached to this Agreement (“Approved Projects”). The Port may proceed with any and all Approved Projects without further review by the Majority-in-Interest.

6.1.1 Notice of Increased Approved Project Costs. If by the time the Port elects to proceed with construction of an Approved Project, the Port’s then-current estimate (calculated on a consistent basis) of the Approved Project’s capital costs that will be added to the Airline Rate Bases exceeds in constant dollars one hundred and ten percent (110%) of the Approved Project’s capital costs to be added to the Airline Rate Bases estimated at the time of Airline approval, and the increase did not result from an event set forth in subsection 6.5.1 below, the Port shall provide written notice to all Signatory Airlines, including Airline, of the increase in the Approved Project’s estimated rate base impact, shall provide a written explanation or justification for the increase and shall give the Majority-in-Interest, including Airline, an opportunity to review the Approved Project increase in accordance with subsection 6.1.2 below.

6.1.2 Majority-In-Interest Review. The Majority-in-Interest shall deliver to the Port, within thirty (30) days of the Port’s mailing or delivery of its notification under subsection 6.1.1, any written objections it may have against proceeding with the Approved Project. The Port shall not proceed with any previously Approved Project which has been objected to by a Majority-in-Interest under this subsection 6.1.2 for a period of one hundred and eighty (180) days from the Port’s mailing or delivery of its notification of the increase in cost, to allow the Majority-in-Interest to develop and present to the Port the basis of its objections to the completion of the Approved Project. At the conclusion of that one hundred and eighty (180) day period, the Port may proceed with the previously Approved Project, notwithstanding the increase in its costs and any objections by the Majority-in-Interest.

#### 6.1.3 Capital Project Procedures.

(a) The Port will provide to the Signatory Airlines the following reports: (1) not less than twice each Fiscal Year at an AAAC meeting, a Status Report of the Approved Capital Improvement Projects that are listed in Exhibit F to this Agreement as SLOA II Projects or as Projects Approved in 2013 or that are approved pursuant to Section 6.2 below, containing updated information concerning the scope, schedule and budget status of those Approved Capital Improvement Projects; and (2) once each Fiscal Year at an AAAC meeting occurring in the fourth quarter, a 5-year CIP Outlook providing preliminary information regarding potential upcoming capital projects.

(b) The Port will use its best efforts to obtain and to use federal funds for eligible Approved Capital Improvement Projects.

6.1.4 List of Approved Projects. The Port shall maintain a list of Capital Improvement projects and provide it to Airline upon Airline's request, including the projects listed on **Exhibit F** that have been approved by the Majority-in-Interest or that have been subject to review by the Signatory Airlines under subsection 6.2. This list shall be the basis for cost reporting to the Airlines as prescribed in the Capital Project Procedures.

## 6.2 New Project Approval.

6.2.1 New Project Approval. Each New Project meeting the Majority-in-Interest Threshold shall be subject to the procedures set forth in this subsection 6.2.1

(a) Subject to 6.1.3, the Port shall, during the Term, develop any New Projects using the Capital Project Procedures.

(b) The Port shall provide written notice to all Signatory Airlines, including Airline, of any proposed New Project subject to this subsection 6.2.1 and shall give the Majority-in-Interest, including Airline, an opportunity to determine whether or not to object to the proposed New Project. The Port's notification shall include (i) a description of the New Project; (ii) drawings showing its location, to the extent available; (iii) estimates of its total capital cost; (iv) estimates of its O&M costs; (v) an explanation of the benefits it will provide; (vi) a schedule for its implementation; (vii) a summary of how the New Project will be funded; (viii) an estimate of the impact the New Project will have on the Terminal Rents and Landing Fees to be paid by Signatory Airlines; and (ix) a summary of the status of the New Project Budget. The Majority-in-Interest shall deliver to the Port, within thirty (30) days of the Port's mailing or delivery of its notification of the proposed New Project, written notice of any objections it wishes to lodge against the proposed New Project.

(c) The Port shall not proceed with construction of any New Project which has been objected to by a Majority-in-Interest for a period of twelve (12) months after the date of the Port's mailing or delivery (if hand delivered) of its notification of the proposed New Project, to allow the Majority-in-Interest to develop and present to the Port the basis of its objections to the proposed New Project. At the conclusion of that twelve (12) month period, the Port may proceed with the proposed New Project notwithstanding any objections by the Majority-in-Interest, *provided*, however, that at the time the Port elects to proceed with construction of the New Project, the Port's then-current estimate (calculated on a consistent basis) of the New Project's total budget does not exceed in constant dollars one hundred and ten percent (110%) of the New Project's estimated total budget disclosed when the Port gave notice under subsection 6.2.1 (b). If by the time the Port elects to proceed with construction of a New Project that was subject to review by the Signatory Airlines under this subsection 6.2.1(c) the Port's then-current estimate (calculated on a consistent basis) of the New Project's total budget exceeds in constant dollars one hundred and ten percent (110%) of the New Project's estimated total budget disclosed when notice was given, the provisions of subsections 6.2.1(a) and (b) shall again apply and the Majority-in-Interest, including Airline, shall be given an opportunity to provide written notice to the Port of any objections it wishes to lodge against completion of the New Project; *provided*, however, that if the increase in estimated capital costs is attributable to delays associated with review of the proposed project by the Signatory Airlines, the provisions of subsections 6.2.1 (a) and (b) shall not apply again.

### 6.3 **Project Management Reserve.**

6.3.1 The Port may increase the budgets of New Projects approved under subsection 6.2.1 up to an aggregate additional One Hundred Fifty Million Dollars (\$150,000,000) without further Majority-in-Interest review under Section 6.2.1 (“Management Reserve”).

6.3.2 The Port may transfer budget savings from Approved Projects and from New Projects approved under Section 6.2.1 into the Management Reserve to be used in accordance with subsection 6.3.1 on New Projects that have been previously approved under Section 6.2.1. The Port shall document any such transfers using the same methods that are customary for all budget transfers at the Port.

### 6.4 **Discretionary Projects.**

An amount not to exceed Thirty Million Dollars (\$30,000,000) shall be for the implementation of New Projects that meet the Majority-in-Interest Threshold (“Discretionary Projects”). Discretionary Projects are exempt from Majority-in-Interest review under subsection 6.2.1.

### 6.5 **Capital Improvements Exempt from Majority-In-Interest Review.**

6.5.1 A Capital Improvement project that is not an Approved Project, meets the Majority-in-Interest Threshold and meets any one of the criteria set forth below, shall be exempt from Majority-in-Interest review (“Exempt Project”):

(a) the Capital Improvement is required by a Federal or State agency of superior authority with jurisdiction over the Airport;

(b) the Capital Improvement is of an emergency nature, which, if not made, would substantially impair the current operation of the Airport;

(c) the Capital Improvement is required in order to make available additional terminal space or related facilities for the expansion of an Air Carrier or to make space or facilities available in a terminal to accommodate a new entrant or expanding Air Carrier; provided such Air Carrier enters into a binding commitment to lease the space so made available for at least the remaining Term and on the same terms as provided for the lease of comparable space under this Agreement, and provided, further, that existing space or facilities are not otherwise available to accommodate the Air Carrier under Articles 2, 3, 4 and 5 of this Agreement in a competitive, non-disruptive and otherwise satisfactory manner;

(d) the Capital Improvement is to repair or replace Airport property damaged or destroyed by fire or other casualty; or

(e) the Capital Improvement is made to settle claims or lawsuits, satisfy judgments or comply with judicial or administrative orders against the Port arising from or relating to its design, construction, ownership, maintenance or use of the Airport.



6.5.2 To the extent consistent with meeting Federal or State mandates or responding to Airport emergencies, the Port shall notify all Signatory Airlines, including Airline, in writing of any proposed Exempt Project under this Section 6.5, and shall provide Airline with an opportunity to comment upon the proposed Exempt Project.

#### 6.6 **Rate Recovery.**

The capital costs (including capitalized interest) of any Capital Improvement project subject to this Article shall not be included in the Airline Rate Bases until its Date of Beneficial Occupancy.

### **ARTICLE 7**

#### **AIRLINE REPRESENTATIONS AND WARRANTIES**

Airline represents and warrants to the Port that:

7.1 **Corporate Structure.** Airline (a) is a corporation, partnership or limited liability company duly organized or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, and (b) has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to execute, deliver and perform its obligations under this Agreement.

7.2 **Duly Authorized.** The execution, delivery and performance by Airline of this Agreement has been duly authorized by all necessary corporate or other organizational action, and do not and will not (a) contravene the terms of any of Airline's organization documents, or (b) conflict with or result in any breach or contravention of any contractual obligation to which Airline is a party, or any order, injunction, writ or decree of any governmental authority or any arbitral award to which Airline or its property is subject.

7.3 **Approvals Unnecessary.** Except as otherwise required pursuant to Section 7.5, no approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any governmental authority or any other person is necessary or required in connection with the execution, delivery or performance by, or enforcement against, Airline of this Agreement.

7.4 **Duly Executed.** This Agreement has been duly executed and delivered by Airline. This Agreement constitutes a legal, valid and binding obligation of Airline, enforceable against Airline in accordance with its terms.

7.5 **No Litigation.** On the date it becomes a Signatory Airline, either (a) Airline is not the subject of a case or proceeding described in subsection 20.1.4, or (b) if Airline is the subject of a case or proceeding described in subsection 20.1.4, Airline has obtained entry in such case or proceeding of a final order in form reasonably satisfactory to the Port as to which the appeal period has expired authorizing Airline to execute, deliver and perform its obligations under this Agreement.

## ARTICLE 8

### CALCULATION OF RATES AND CHARGES.

#### 8.1 **Generally.**

The fees and rents to be charged by the Port and paid by Airline (and by all other Signatory Airlines) for its use of the Airport from the Effective Date until the expiration or earlier termination of this Agreement shall be calculated using the compensatory rate-setting methods set forth in this Article 8. In calculating the revenue requirements used to derive each of these kinds of rates and charges, the Port shall exclude any cost (net of the cost of collection) that (a) has been reimbursed or covered by government grants or PFC's, (b) has been reimbursed or covered by any insurance recovery, condemnation proceeds or other third-party payment, or (c) has been reimbursed or is required to be reimbursed to the Port by an individual Airline in connection with projects undertaken by the Port at the request and for the benefit of an individual Airline. The Port may add to such revenue requirements any bad debt caused by the failure of any Air Carrier to pay fees and rents charged by the Port under this Article 8, but only after the Port has made commercially reasonable efforts to recover any such bad debt under a Security Deposit required by this Agreement. Illustrative calculations displaying how rates and charges will be calculated under the methodology set forth in this Article 8 are attached as **Exhibits J, K and L.**

8.1.1 Airline Consultations on Proposed Rates and Charges. No later than November 1 of each year, the Managing Director shall provide each Airline then currently operating scheduled passenger or cargo service at the Airport with a complete copy of the then proposed rates and charges, calculated in accordance with this Article 8, for the succeeding Fiscal Year. The Managing Director shall consult with the AAAC concerning the then proposed rates and charges. No later than December 1 of each year, after giving due consideration to the comments provided by the AAAC, the Managing Director shall make any revisions to the proposed rates and charges as the Managing Director determines, in his or her sole discretion, to be warranted as a result of consultation with the AAAC or otherwise, and shall provide written notice to each Airline then currently operating scheduled passenger or cargo service at the Airport of the new rates and charges to be effective on January 1 of the following calendar year. A copy of the notice shall be posted on the Port's website.

8.1.2 Airline Consultation on Fiscal Year 2013 Rates and Charges. Airline acknowledges that the Port complied with the consultation requirements of Section 8.1.1 for rates and charges for Fiscal Year 2013.

8.2 **Calculation of the Landing Fee.** Each year the Port shall calculate the estimated Landing Fee for the following Fiscal Year as follows:

8.2.1 The Airfield Movement Area Requirement shall be computed as the total of budgeted Capital Costs and O&M Expenses allocable to the Airfield Movement Area, less budgeted Other Airfield Movement Area Revenue and less any Non-Signatory Premiums paid in Landing Fees under Section 8.21, for the following Fiscal Year. For Fiscal Year 2013 only, the otherwise-indicated Airfield Movement Area Requirement shall be reduced by \$5,959,372.

8.2.2 The estimated Landing Fee shall then be calculated by dividing the Airfield Movement Area Requirement by the estimated total Maximum Gross Landed Weight (“MGLW”) for the following Fiscal Year. The Port may use the most recent available historical MGLW or forecasts of MGLW that reflect reasonable Port management judgment in calculating the estimated Landing Fee. The calculation of the Landing Fee shall exclude non-revenue landings that are timely and accurately reported by Air Carriers in monthly Activity Reports submitted under Section 8.20.2.

8.3 **Calculation of Terminal Rental Rates.** Each year the Port shall calculate estimated Terminal Rental Rates for the next Fiscal Year as follows:

8.3.1 The Terminal Building Requirement shall be computed by multiplying (a) the total of the budgeted Capital Costs and O&M Expenses allocable to the Terminal for the following Fiscal Year by (b) the ratio of Airline Rentable Space to total Rentable Space; less any Non-Signatory Premiums paid in Terminal Rents under Section 8.21. The Terminal Building Requirement shall not include Common Use Baggage System Costs, Passenger Loading Bridge Costs, Airline Support Systems and Equipment Costs or Capital Costs and O&M Expenses allocated to the FIS Facility, nor shall the Terminal Building Requirement include Non-Airline Support Systems and Equipment Costs, if any. For Fiscal Year 2013 only, the otherwise-indicated Terminal Building Requirement shall be reduced by \$11,920,531.

8.3.2 The Port will distribute the aggregate Terminal Building Requirement calculated in accordance with subsection 8.3.1 into four cost assignment groups: Group A (consisting of Gates); Group B (consisting of Ticket Counters, Baggage Claim, Baggage Make up, Publicly-accessible Offices, Security Checkpoint Areas and VIP lounges); Group C (consisting of Non-publicly-accessible Offices); and Group D (consisting of closed storage space). The costs assigned to the rented space within each of these four groups shall bear the following relativities to each other on a square foot basis:

Group A:	2.00
Group B:	1.00
Group C:	0.50
Group D:	0.25

For rate-setting purposes, the cost per square foot of space in each of these four groups will be normalized so that the aggregate costs assigned to all four groups will equal the Terminal Building Requirement.

8.3.3 The Port shall calculate the Baggage Make up Circulation Rate by (a) multiplying Baggage Make up Circulation Space by the normalized cost per square foot of Group B Space and then (b) dividing this product by the estimated total amount of Airline Rented Space.

8.3.4 The Port shall calculate estimated Terminal Rental Rates for each space group as the sum of (a) the normalized cost per square foot of space in each such group, and (b) the Baggage Make up Circulation Rate; *provided*, however, that Terminal Rental Rates for

Preferential Use and Common Use Ticket Counters, Non-Publicly Accessible Office Space and Closed Storage Space shall be calculated in accordance with Sections 8.9 through 8.12.

**8.4 Calculation of the FIS Fee.** Each year the Port shall calculate the estimated FIS Rate for the next Fiscal Year as follows:

8.4.1 The estimated FIS Requirement shall be computed as the sum of (a) the total of the budgeted Capital Costs and O&M Expenses allocable to the FIS Facility; (b) the total of the budgeted Capital Costs and O&M Expenses allocable to the Common Use Baggage Claim Area serving the FIS Facility; and (c) the Capital Costs and O&M Expenses of the Baggage Make up System and Common Use Baggage Claim System allocable to the FIS Facility; less (d) any estimated revenue from the rental of space in the FIS Facility to governmental agencies, for the following Fiscal Year.

8.4.2 The estimated FIS Fee shall be calculated by dividing the FIS Requirement by the estimated total number of Deplaned International Passengers for the following Fiscal Year. The Port may use the most recent available historical number of Deplaned International Passengers or forecasts that reflect reasonable Port management judgment in calculating the estimated FIS Fee.

8.4.3 If, during the Term, the Port constructs a new FIS Facility, the Capital Costs and O&M Expenses of such new FIS Facility shall be recovered through the FIS Fee and the FIS Facility shall continue to be treated as a separate cost center. During the Term, there will only be a single FIS cost center.

8.4.4 At any time, the Port may use non-aeronautical revenues to offset the FIS Requirement and reduce the FIS Fee.

**8.5 Calculation of Gate Rates and Fees.** Each year the Port shall calculate the estimated Preferential Use Gate Rate and Common Use Gate Turn Fee as follows:

8.5.1 Calculation of Average Gate Cost. Each year the Port shall calculate the estimated Average Gate Cost for the next Fiscal Year as follows:

(a) The estimated Total Gate Requirement shall be computed as the sum of (a) the product of the estimated Terminal Rental Rate for Group A times the total square footage of all Gate space; (b) the product of the estimated Terminal Rental Rate for Group B times the total square footage of the Security Checkpoint Area; (c) the total of the Capital Costs and O&M Expenses allocable to Airline Support Systems and Equipment other than Baggage Systems and Passenger Loading Bridges; and (d) the Capital Costs and O&M Expenses allocable to airline realignment projects, for the next Fiscal Year.

(b) The Average Gate Cost shall then be calculated by dividing the Total Gate Requirement by the number of Gates.

8.5.2 Preferential Use Gate Rental Rate. The Port shall calculate the estimated Preferential Use Gate Rental Rate for the next Fiscal Year as follows:

(a) The estimated Preferential Use Gate Requirement shall be computed by first multiplying the Average Gate Cost calculated in accordance with Section 8.5.1(b) by the number Preferential Use Gates and then adding the Unrecovered Common Use Gate Requirement calculated in accordance with Section 8.5.4, below.

(b) The Preferential Use Gate Rental Rate shall be calculated by dividing the Preferential Use Gate Requirement by the number of Preferential Use Gates.

8.5.3 Common Use Gate Turn Fees. Each year the Port shall calculate estimated Common Use Gate Turn Fees for the next Fiscal Year as follows:

(a) The estimated Common Use Gate Requirement shall be computed by multiplying the number of Common Use Gates multiplied by the Average Gate Cost calculated in accordance with Section 8.5.1(b).

(b) For rate setting purposes only, the Port shall assume that each Common Use Gate will have 4 Turns per day, 365 days per year.

(c) The Port will then calculate separate Common Use Gate Turn Fees for use of Common Use Gates by the three different classes of aircraft: Class 1 (Wide Body [dual-aisle aircraft]); Class 2 (Narrow Body [single-aisle aircraft, over 100 seats]); and Class 3 (Regional and Commuter [aircraft with 100 or fewer seats]) to levied on the basis of the total number of turns made in each class of aircraft. The charges for use of Common Use Gates by aircraft within each of these classes shall bear the following relativities to each other:

Class 1: 2.00

Class 2: 1.00

Class 3: 0.50

For rate-setting purposes, the charges per Turn for each of these three classes of aircraft will be normalized so that expected aggregate Common Use charges, assuming 4 Turns per day, equal the Common Use Gate Requirement.

8.5.4 The Port shall estimate the Unrecovered Common Use Gate Requirement by subtracting the estimated Common Use Gate Turn Fees to be paid for actual Turns on Common Use Gates from the Common Use Gate Requirement.

8.6 **Calculation of Baggage Claim Rate.** Each year the Port shall calculate the estimated Baggage Claim Rate for the next Fiscal Year as follows:

8.6.1 The estimated Baggage Claim Requirement shall be computed as the sum of (a) the product of the estimated Terminal Rental Rate for Group B times the total square footage of the Baggage Claim Area; and (b) the Capital Costs and O&M Expenses allocable to the Common Use Baggage Claim System (excluding the Capital Costs and O&M Expenses of the Common Use Baggage Claim System allocable to the FIS Facility).

8.6.2 Charges for the use of Baggage Claim Areas shall be calculated by allocating ten percent (10%) of the Baggage Claim Requirement equally among all Signatory Airlines with scheduled domestic service, and ninety percent (90%) of the Baggage Claim Requirement shall be divided by the expected number of Deplaned Domestic Passengers arriving during the Fiscal Year to determine the Baggage Claim charge per deplaned passenger.

8.7 **Calculation of Baggage Make up System Space Rate and Fees.** Each year the Port shall calculate the estimated Preferential Baggage Make up System Space Rate and the Common Use Baggage Make up System Space Fee for the next Fiscal Year as follows:

8.7.1 Preferential Baggage Make up System Space Rent. The Port shall calculate Airline's annual rent for the use of Preferential Baggage Make up System Space by multiplying the square footage of such space assigned to the Airline by the Terminal Rental Rate for Group B.

8.7.2 Common Use Baggage Make up System Space Fee. The Port shall calculate the estimated Common Use Baggage Make up System Space Fee as follows:

(a) The Common Use Baggage Make up System Space Requirement shall be calculated by multiplying the total square footage of such space by the Terminal Rental Rate for Group B.

(b) The Port shall calculate the Common Use Baggage Make up System Space Fee by dividing the Common Use Baggage Make up System Space Requirement by the estimated number of Outbound Checked Bags processed on Common Use Baggage Make up Systems. The Port may use the most recent available historical number of Outbound Checked Bags or forecasts that reflect reasonable Port management judgment.

8.8 **Calculation of Baggage Make up System Fees.** Each year the Port shall calculate the Baggage Make up System Fees for the next Fiscal Year as follows:

(a) The estimated Baggage Make up System Requirement shall consist of the Capital Costs and O&M Expenses allocable to the Baggage Make up System.

(b) Charges for the use of the Baggage Make up System shall be calculated by allocating ten percent (10%) of the Baggage Make up System Requirement equally among all Signatory Airlines and ninety percent (90%) of the Baggage Make up System Requirement shall be divided by the estimated annual number of Outbound Checked Bags processed on Baggage Make up Systems during the Fiscal Year to determine the Baggage Make up Equipment Rate.

8.9 **Calculation of Preferential Use Ticket Counter Rental Rate.** Each year the Port shall calculate the estimated Preferential Use Ticket Counter Rental for the next Fiscal Year as follows:

8.9.1 The Ticket Counter Requirement shall be computed by as the sum of (a) the normalized cost per square foot for Group B space from Section 8.3.2 multiplied by the

estimated total square footage of rentable Ticket Counter Space and (b) the Baggage Makeup Circulation Rate from Section 8.3.3 multiplied by the estimated total square footage of rented Ticket Counter Space.

8.9.2 The Preferential Use Ticket Counter Rental Rate shall be calculated by dividing the Ticket Counter Requirement by the estimated total square footage of rented Ticket Counter Space.

**8.10 Calculation of Common Use Ticket Counter Rate.** Each year the Port shall calculate the estimated Common Use Ticket Counter Rate for the next Fiscal Year as follows:

8.10.1 The Common Use Ticket Counter Requirement shall be calculated by multiplying the Preferential Use Ticket Counter Rental Rate computed in accordance with Section 8.9.2 by the estimated total square footage of rented Common Use Ticket Counter Space.

8.10.2 The estimated Common Use Ticket Counter Rate shall then be calculated by dividing the Common Use Ticket Counter Requirement by the estimated total annual number of hours of use of Common Use Ticket Counters. The Port may use the most recent available historical numbers of hours of use of Common Use Ticket Counters or forecasts that reflect reasonable Port management judgment in calculating the estimated Common Use Ticket Counter Rate.'

**8.11 Calculation of Non-Publicly-Accessible Office Space Rental Rate.** Each year the Port shall calculate the estimated Non-Publicly-Accessible Office Space Rental Rate for the next Fiscal Year as follows:

8.11.1 The Non-Publicly-Accessible Office Requirement shall be computed as the sum of (a) the normalized cost per square foot for Group C space from Section 8.3.2 multiplied by the estimated total square footage of rentable Non-Publicly Accessible Office Space and (b) the Baggage Makeup Circulation Rate from Section 8.3.3 multiplied by the estimated total square footage of rented Non-Publicly-Accessible Office Space.

8.11.2 The Non-Publicly-Accessible Office Rental Rate shall be calculated by dividing the Non-Publicly-Accessible Office Requirement by the estimated total square footage of rented Non-Publicly-Accessible Office Space.

**8.12 Calculation of Closed Storage Space Rental Rate.** Each year the Port shall calculate the estimated Closed Storage Space Rental Rate for the next Fiscal Year as follows:

8.12.1 The Closed Storage Requirement shall be computed by as the sum of (a) the normalized cost per square for Group D space from Section 8.3.2 multiplied by the estimated total square footage of rentable Closed Storage Space and (b) the Baggage Makeup Circulation Rate from Section 8.3.3 multiplied by the estimated total square footage of rented Closed Storage Space.

8.12.2 The Closed Storage Rental Rate shall be calculated by dividing the Closed Storage Requirement by the estimated total square footage of rented Closed Storage Space.

8.13 **Rent for Publicly-Accessible Offices and VIP Lounges.** The Rental Rate for use of Publicly-Accessible Offices and VIP Lounges shall be the Terminal Rental Rate for Group B space.

8.14 **Calculation of Passenger Loading Bridge Fees.**

8.14.1 Calculation of Average Passenger Loading Bridge Cost. Each year the Port shall calculate the estimated Average Passenger Loading Bridge Cost for the following Fiscal Year by dividing the sum of the budgeted Capital Costs and O&M Expenses allocable to Port-owned Passenger Loading Bridges by the number of Port-owned Passenger Loading Bridges.

8.14.2 Preferential Passenger Loading Bridge Fee. The annual fee for the use of any Port-owned Passenger Loading Bridge serving a Preferential Use Gate shall equal the Average Passenger Loading Bridge Cost.

8.14.3 Common Use Passenger Loading Bridge Rate. The Common Use Passenger Loading Bridge Rate for the use of any Port-owned Passenger Loading Bridge serving a Common Use Gate shall be calculated by multiplying the Average Annual Passenger Loading Bridge Cost by the total number of Port-owned Passenger Loading Bridges serving Common Use Gates and then dividing by the estimated total number of Turns on Common Use Gates with Port-owned Passenger Loading Bridges. The Port may use the most recent available historical numbers of Turns on such Gates or forecasts that reflect reasonable Port management judgment in calculating the estimated Common Use Passenger Loading Bridge Rate.

8.15 **Calculation of the Ramp Tower Fee.**

8.15.1 Each year the Port shall calculate the estimated Ramp Tower Fee for the next Fiscal Year by dividing the budgeted Capital Costs and O&M Expenses allocable to the Ramp Tower by the estimated total number of Landings for the following Fiscal Year. The Port may use the most recent available historical number of Landings or forecasts that reflect reasonable Port management judgment in calculating the estimated Ramp Tower Fee.

8.16 **Calculation of the Passenger Airline Apron Fee.** Each year the Port shall calculate the estimated Passenger Airline Apron Fee for the next Fiscal Year as follows:

8.16.1 The Airfield Apron Area Requirement shall be computed as the total Capital Costs and O&M Expenses allocable to the Airfield Apron Area, less Ramp Tower Revenues and RON Parking Revenues in the Airfield Apron Area.

8.16.2 The estimated Passenger Airline Apron Fee shall then be calculated by dividing the Airfield Apron Area Requirement by the estimated total MGLW for Passenger Carriers for the following Fiscal Year. The Port may use the most recent available historical MGLW or forecasts of MGLW that reflect reasonable Port management judgment in calculating the estimated Apron Fee.



**8.17 Mid-year Adjustments.** If it appears to the Port on the basis of information it is able to accumulate during the course of any Fiscal Year that the budgeted Capital Costs or O&M Expenses or projected levels of Airline activity it has used to calculate the rates and charges set forth in this Article 8 are likely to vary significantly (higher or lower) from actual results, the Port may make adjustments to such rates and charges at mid-year or at such other time during the calendar year (a) as the need for such an adjustment becomes apparent to the Port or (b) the variance between the budgeted Capital Costs or O&M Expenses or projected levels of Airline activity and actual results is expected to be ten percent (10%) or more. The Port shall provide the AAAC with at least thirty (30) days advance written notice (“Mid-Year Adjustment Notice”) of any adjustments to be made under this Section 8.17. The AAAC may, within fifteen (15) days of receipt of the Mid-Year Adjustment Notice, request a meeting with the Port to review the information that the Port used as the basis for an adjustment under this Section 8.17 and if the AAAC does so, the Port shall meet with the AAAC within fifteen (15) days of the AAAC’s request.

**8.18 Annual Adjustments-to-Actual.**

8.18.1 Within sixty (60) days after completion of the audit for the preceding Fiscal Year, the Port shall recalculate the rates and charges as set forth in this Article 8 on the basis of actual Capital Costs and O&M Expenses, Airline activity and other factors affecting the prescribed calculations and shall determine the amount of any overpayment (credit) or underpayment (debit) due to or from Airline. Any resulting credit will be issued to Airline, and any resulting debit will be invoiced to and payable by Airline.

8.18.2 For Fiscal Year 2013 only, Airline acknowledges that it was not possible for the Port to calculate the rates and charges to be paid in accordance with this Article 8 before August 1, 2013; that rates and charges calculated in accordance with this Article 8 shall be effective retroactively as of January 1, 2013; that throughout much of 2013, Airline paid the Port the rates and charges that had been in effect during Fiscal Year 2012 under SLOA II; for some part of Fiscal Year 2013, Airline paid the Port the rates and charges imposed by the Port’s Rate Resolution; and that, as a result, it is likely that the adjustment-to-actual for Fiscal Year 2013 will yield a substantial debit to be invoiced to and payable by Airline.

8.18.3 For Fiscal Year 2017, the final year of the Term, the Port shall make an adjustment-to-actual in accordance with Section 8.18.1, and any resulting credit will be issued to Airline and any resulting debits will be invoiced to payable by Airline notwithstanding the termination of the Agreement on December 31, 2017.

**8.19 Revenue Sharing.**

For Fiscal Year 2013 and each subsequent Fiscal Year during the Term, the Port will share revenue with all Signatory Airlines as follows. When making adjustments-to-actual under Section 8.18 the Port will calculate the “Revenue Available for Sharing” by multiplying the amount, if any, by which the Airport’s Net Revenue exceeds 125% of its annual debt service by fifty percent (50%). The Revenue Available for Sharing, if any, shall be distributed among all Air Carriers that were Signatory Airlines during the preceding Fiscal Year. Each such Signatory Airline’s share of the Revenue Available for Sharing for that year shall be calculated by dividing

such Signatory Airline's actual payments to the Port of rates and charges under this Agreement for the preceding Fiscal Year by the total amount of such payments by all Signatory Airline's for that same year. Revenue sharing shall be distributed among all the Signatory Airlines in the form of a credit against amounts due to the Port.

## 8.20 Activity Reports.

8.20.1 Flight Information Management System. Airline shall provide the Port with the information for the Port's Flight Information Management System ("FIMS") by providing *real time* data output from Airline's internal flight information display system, computer reservations system, cargo load message transmission, ARINC or SITA transmissions, or other information systems (including commercial information systems) on a per flight basis. Airline flight information shall be in a format prescribed by the Port and shall include, at least, the following information about the Airline's operations and activities at the Airport. For each *arriving* flight: (a) flight number and Airport Gate utilized, (b) aircraft registration number and aircraft type, (c) actual time of arrival at the Airport (wheels-on) and actual time of arrival at the Gate (aircraft parked at the Gate), (d) baggage claim number, (e) scheduled time of arrival, (f) estimated time of arrival, (g) aircraft parking position, (h) international or domestic flight indicator, (i) pre-cleared flight indicator, (j) code share information if applicable and (k) flight routing. For each *departing* flight: (a) flight number and Airport Gate utilized, (b) aircraft registration number and aircraft type, (c) actual time of departure from Gate (aircraft pushback) and actual time of departure from Airport (wheels-off), (d) scheduled time of departure, (e) estimated time of departure, (f) aircraft parking position (g) code share information if applicable and (h) flight routing.

8.20.2 Airline Reporting. Airline shall provide to the Port, on or before the 10<sup>th</sup> day of each and every month, an accurate summary report of Airline's operations at the Airport during the preceding month ("Monthly Activity Report"). Airline's Monthly Activity Report shall be in a format prescribed by the Port and shall include at least the following information: (a) the aircraft make, model and series, Maximum Gross Landed Weight ("MGLW"), seating capacity and configuration of every aircraft type operated by Airline at the Airport during the preceding month; (b) the total MGLW of all passenger aircraft and, separately, all cargo aircraft landing at the Airport; (c) the total number of domestic and international enplaned and deplaned passengers served by Airline at the Airport (including the breakdown of FIS Facility and non-FIS Facility deplaned passengers and revenue and non-revenue passengers); (d) the total amount (in pounds or kilograms) of domestic and international cargo and mail enplaned and deplaned by Airline at the Airport; (e) the total number of revenue and non-revenue aircraft operations; (f) total Airline use of Common Use Gates by date and time, including gate, aircraft type and registration (tail) number; and (g) total Outbound Checked Bags and Outbound Checked Bags delivered on the Common Use Baggage Make up System.

8.20.3 Airline Activity Management System. The Port is working to enhance the Airport's system for the collection of airline-reported data. The Port expects the enhanced system will provide for the electronic collection of all airline data required under subsections 8.20.2 and Section 9.1 via the internet and/or other automated activity data sources ("Airline Activity Management System"). Airline agrees to collaborate with the Port in support of the

development of the Airline Activity Management System and shall cooperate with the Port in testing and utilizing the Airline Activity Management System.

8.20.4 **Failure to Report.** If Airline fails timely to furnish the Port with any Monthly Activity Report under subsections 8.20.1, 8.20.2 or Section 9.1, whichever may be applicable, Airline's Landing Fees, Terminal Rents and any other charges due under this Agreement shall be determined by assuming that Airline's activity in any month for which Airline has failed to report its activity equaled the Airline's maximum activity during any of the previous twelve (12) months for which Airline submitted a Monthly Activity Report to the Port. Any necessary adjustments in the Airline's charges shall be calculated after an accurate report is delivered to the Port by Airline for the month in question. Resulting credits or debits shall be applied to the appropriate invoices in the next billing period.

8.21 **Non-Signatory Premium.** Non-Signatory Airlines shall pay a twenty-five percent (25%) premium on all rates and charges set forth under this Article 8.

8.22 **Air Service Incentive Program.** Notwithstanding any other provision in this Agreement and, in order to enhance and attract new air service to the Airport, the Port reserves the right to adopt and implement a program of air service incentives at the Airport, consistent with applicable federal requirements, which may include rates and charges incentives and marketing support ("Air Service Incentive Program"). The Air Service Incentive Program, if implemented, shall be offered to all eligible Air Carriers on a nondiscriminatory basis. Airline acknowledges and expressly agrees that the Port may recover the costs of forgone (waived) Landing Fees or Terminal Rents (including fees for the use of the FIS) for Passenger Carriers through the Landing Fee or Terminal Rents calculated under this Article 8. The Port will defray the costs of foregone (waived) Landing Fees for Cargo Carriers through Airfield Commercial Area revenues. Subject to Port Commission approval, non-aeronautical Airport revenues will be used as the funding source for marketing support under any such Air Service Incentive Program.

8.23 **Affiliates.** In the event Airline contracts with an Affiliate, it shall be considered a Contracting Carrier, and all of the following provisions applicable to Contracting Carriers shall apply to Airline:

8.23.1 Airline may not use an Affiliate without first notifying the Port that it intends to designate an Affiliate and ensuring that the Affiliate must enter into an Affiliate Operating Permit with the Port, and that Airline also signs that agreement as the Contracting Carrier. Airline is also responsible to notify the Port when it ceases to use the Affiliate. Affiliates signing a Signatory Lease and Operating Agreement will be bound by that Agreement for its entire term.

8.23.2 All Affiliates using the Airport must enter into an Affiliate Operating Permit with the Port. The Contracting Carrier must also sign the Affiliate's Operating Permit with the Port. An Affiliate shall be considered an agent of the Contracting Carrier.

8.23.3 All Landing Fees, Terminal Rents and other charges and fees due from the Affiliate and all reports required to be made for payment of Landing Fees and Terminal Rents shall be made by the Contracting Carrier. The Contracting Carrier will remain liable to the Port

for the payment of all Landing Fees and Terminal Rents due from the Affiliate, and any such past due payments (including PFCs) will be subtracted from any reimbursement due to the Contracting Carrier by the Port. Notwithstanding the foregoing, the Affiliate shall directly report and pay to the Port all PFCs that it collects. If the Contracting Carrier fails to make payment or submit reports on behalf of the Affiliate, the Affiliate remains fully responsible and liable to the Port for both reporting and payment. As long as the Contracting Carrier is making all payments of Landing Fees and Terminal Rents, and submitting the activity reports for the Affiliate, then that Affiliate activity will count toward the Contracting Carrier's activity.

8.23.4 Any Air Carrier who operates under its own name and sells any seats in its own name will not be deemed an Affiliate. An Affiliate may work for more than one (1) Signatory Airline at a time, or from time to time, but any Signatory Airline for whom the Affiliate is working must sign the Affiliate's Operating Permit, agreeing to be responsible for reporting and paying for the Affiliate's operations on its behalf. Notwithstanding anything to the contrary, an Air Carrier's status as Affiliate of the Airline at the Airport may be terminated by the Airline upon not less than thirty (30) days written notice to the Port. Any Affiliate who sells any seats in its own name will be required to sign a Signatory Lease and Operating Agreement, or will be deemed a Non-Signatory Airline, and Section 8.23 shall not apply.

8.23.5 Because the Affiliate is operating on behalf of a Signatory Airline(s) who reports and pays for all Terminal Rents and Landing Fees associated with the Affiliate's operations, the Affiliate will not be required to pay a Non-Signatory premium on its Landing Fees and Terminal Rents, except as provided in this Section 8.23. The Landing Fees and Terminal Rents paid by the Contracting Carrier on behalf of its Affiliate(s) are subject to all the provisions of Article 8.

8.23.6 If an Affiliate chooses to lease space directly from the Port, the Affiliate must become a Signatory Airline or a Non-Signatory Airline, but in either case relinquishes its status as an Affiliate.

8.24 **Airfield Commercial Area.** The Port shall treat the Airfield Commercial Area as a separate, compensatory cost center.

8.25 **Space Determinations.** Each Fiscal Year during the Term, at the time the Port reviews the Airport budget with the AAAC (in July or September each year), the Port shall provide Airline and the AAAC with the Port's annual space update, displaying the Port's then-current determinations of the characterization, locations and measurements of each type of Terminal space leased to any Air Carrier or otherwise affecting the calculation of rates and charges under this Article 8. If Airline believes in good faith that the Port's space determinations are erroneous, Airline may bring its concerns and any supporting information to the attention of the Port by written notice to the Port's Aviation Property Manager. If the Port's Aviation Property Manager and Airline's property representative are unable to resolve such concerns within fifteen (15) days of Airline's written notice to the Port, the matter shall be presented to the Managing Director, whose decision shall be binding. Any error in the Port's determination of space identified by the Managing Director shall be adjusted by the Port for the Fiscal Year in which the error is acknowledged. The Managing Director may, after consultation with the Chair of the AAAC, appoint a Terminal Space Review Committee, with representatives of the Port and

the AAAC, to provide recommendations about the characterization, locations or measurements of space within the Terminal or the resolution of particular concerns about space determinations raised by any Airline.

## **ARTICLE 9**

### **PAYMENTS**

#### **9.1 Payment of Landing Fees and Terminal Rents.**

Airline shall pay to the Port Landing Fees and Terminal Rents calculated in accordance with Article 8 as follows. Beginning on the Effective Date, Airline shall pay to the Port on a monthly basis the Landing Fee and Terminal Rents established by the Port in accordance with this Agreement.

9.1.1 All payments of Terminal Rents (except rentals for use of Common Use Premises and the FIS, for which Airline shall pay as noted below) shall be made in advance no later than the first (1<sup>st</sup>) day of the month without awaiting an invoice from the Port.

9.1.2 Airline shall provide to the Port by no later than the tenth (10<sup>th</sup>) day of each and every month Airline's Monthly Activity Report for the preceding month. Airline shall pay to the Port the Landing Fees due for the preceding month by no later than the fifteenth (15<sup>th</sup>) day of each and every month. In the event Airline fails to provide to the Port the Monthly Activity Report required under this Section and subsection 8.20.2, the Port shall determine the Landing Fee payment due in accordance with the provisions of subsection 8.20.4 of this Agreement.

9.1.3 The Port shall invoice Airline as of the twentieth (20<sup>th</sup>) day of each month for the actual rentals associated with Airline's use of Common Use Premises and the FIS during the prior month. Airline's payment of actual rentals for the Common Use Premises and the FIS shall be due and payable within fifteen (15) days of the Port's invoice date.

9.1.4 All payments of both Terminal Rents (including rentals for use of Common Use Premises and the FIS) and Landing Fees shall be made to the Port at its Payment Address or at such other place as the Director may from time to time designate in writing. All amounts shall be paid in lawful money of the United States, and all payments must be made by electronic funds transfer or check. All amounts paid shall be free from all claims, demands, set-offs or counterclaims of any kind. Any amounts owed under this Section 9.1 that are not paid when due shall be subject to a service charge equal to the lesser of, the rate of one and one-half percent (1½%) per month or the maximum rate permitted by law. The Port's acceptance of any payment under this Agreement shall not constitute a waiver of Airline's default on the overdue amount or prevent the Port from exercising any of its rights and remedies under this Agreement.

#### **9.2 Passenger Facility Charges.**

9.2.1 The Port expressly reserves the right to impose passenger facility charges ("PFCs") in accordance with 49 U.S.C. § 40117 and applicable implementing regulations

adopted by the FAA, 14 CFR Pt. 158, as they may be amended from time to time (the “PFC Regulations”).

9.2.2 Airline shall hold in trust for the Port the net principal amount of all PFCs that are collected by Airline or its agents on behalf of the Port pursuant to 49 U.S.C. § 40117 and the PFC Regulations. For purposes of this Section 9.2, net principal amount shall mean the total principal amount of all PFCs that are collected by Airline or its agents on behalf of the Port, reduced by any amount that Airline is permitted to retain pursuant to § 158.53(a) of the PFC Regulations. PFCs collected by the Airline shall be remitted to the Port at its Payment Address or at such other place as the Director may from time to time designate in writing.

### 9.3 Payment of VIP Lounge Percentage Fees.

On or before the fifteenth (15<sup>th</sup>) day of each calendar month, each Airline shall pay to the Port the following percentage fees on the sale of all alcoholic beverages or other beverages, and any related food service items sold at or within the VIP Lounge: ten percent (10%) of the Gross Revenues received by the Airline from beer and wine sales, ten percent (10%) of the Gross Revenues received by Airline from all liquor sales and fourteen percent (14%) of the Gross Revenues received by Airline from all other (if any) sales incurred during said preceding month. Each Airline shall submit to the Port, together with the required payment, a detailed statement showing Gross Revenues received by the Airline from all alcoholic beverages or other beverages, and any related food service items sold at or within the VIP Lounge during the preceding calendar month. The monthly statements shall show such reasonable detail and breakdown as may be required by the Port.

## ARTICLE 10

### AUDIT

Airline shall maintain separate and accurate daily records of Airline’s operations at the Airport for a period of three (3) years after the close of each calendar year throughout the Term, *provided*, however, that in the event the Port gives Airline written notice of a claim for payment under this Agreement, Airline shall retain all of its records relating to its daily operations at the Airport that might pertain to the claim until the claim has been finally resolved. This record-keeping obligation shall survive the expiration or termination of this Agreement. All such books and records, including current and detailed records of all receipts in connection with items sold at the VIP Lounge which are material or relevant in computing and verifying the percentage fees provided for in subsection 8.3.6(a), shall be kept in accordance with generally accepted accounting principles, consistently applied, showing in detail all business done or transacted in, on, about or from or pertaining to the Airport, and shall be sufficient to permit the Port to calculate and verify the Landing Fees, Terminal Rents and other charges due under this Agreement. Upon the Director’s written request, Airline shall make available to the Port or its auditors any and all books, records and accounts pertaining to its operations under this Agreement. If the requested books, records and accounts are not made available at the Airport, and the Port or its auditors are required to travel elsewhere to review them, the Port may require that Airline reimburse the Port for the reasonable costs of such review of Airline’s books, records

and accounts, provided that the Port demonstrates an underpayment of five percent (5%) or more.

## **ARTICLE 11**

### **PIPELINES AND UTILITIES**

#### **11.1 Reservations by Port.**

It is understood and agreed that the Port reserves and retains the right with reasonable advance notice to Airline to construct, reconstruct, install, repair, remove, renew, operate and use pipelines, utility lines, copper wire, fiber-optic and/or high-speed wireless networks, roadways or structures for Airport purposes anywhere within the Airport, provided that any such activities by the Port shall not have a substantial and material adverse effect on Airline's operations at the Airport or its rights hereunder.

#### **11.2 Relocation of Pipelines.**

In the event that any pipeline, utility line or appurtenance installed by Airline is so located that it shall be necessary to change, alter, relocate or reconstruct it in order to allow the Port, or an independent party through an arrangement with Port, to install sewer or drain lines or other utility lines, such change, alteration, relocation or reconstruction shall be made by Airline as requested by the Port at the Port's sole cost and expense.

#### **11.3 Utilities.**

11.3.1 The Port shall provide the following utility services to the Premises in reasonable amounts and at pressures appropriate for airline operations: water, electricity, fire suppression systems, sewage outlets, heating, ventilation and air conditioning. The Port shall determine the points in the Premises where such services will be made available to Airline. In the event Airline desires to change the points of supply by Port, the expense of making such changes or alterations shall be at the sole cost of Airline. Any additional utility services requested by Airline and not otherwise provided by the Port shall be provided only with the Port's approval and shall be subject to separate tariffs.

11.3.2 Except where, and to the extent, caused by the negligence or intentional wrongdoing of Port, its agents, employees, contractors, officers, directors or predecessors in interest, Airline expressly waives any and all claims against the Port for damages arising or resulting from failures or interruptions of utility services or any failure of performance by an independent party providing utility services to the Premises, including electricity, gas, water, plumbing, sewage, telephone, communications, heat, ventilation, air conditioning, or for the failure or interruption of any public or passenger conveniences.

## ARTICLE 12

### DEVELOPMENT, MAINTENANCE AND REPAIR OF AIRPORT

#### 12.1 Port Right to Alter Airport.

Subject to the terms of this Agreement, Airline acknowledges and agrees that the Port shall have the right at all times to change, alter, expand or contract the Airport and that the Port has made no representations, warranties or covenants to Airline regarding the design, construction, pedestrian traffic, or views of the Airport.

#### 12.2 Condition of Premises and Janitorial Services.

Airline agrees to keep the Premises, including the fixtures and equipment in Premises, in a clean, neat, safe, and sanitary condition, and in good order, at all times, except for damages or loss due to reasonable wear and tear, fire or other casualty or other cause beyond Airline's control. Airline shall not store nor allow accumulation of trash or debris on any portion of the Premises, nor use Port's trash containers without Director's prior consent. Airline agrees to arrange for the daily disposal, at its own expense, of all waste material. All lawful requirements of the State of Washington relating to health or sanitation adopted by any legal authority with jurisdiction, including the Port, shall be fully met by Airline, and Airline upon request shall give access for inspection purposes to any duly authorized representative of any such legal authority or of the Port. The Port shall provide pest control services to all Premises and Airline agrees to provide Port with reasonable access to the Premises, upon reasonable notice from the Port, for pest control activities, including Premises inspections under subsection 12.6. Janitorial services, carpet cleaning, maintenance and repair and window washing on the Premises will be furnished by the Port except for Exclusive Premises, if any, assigned to Airline. Airline shall be responsible for janitorial services, carpet cleaning, maintenance and repair and window washing in Exclusive Premises, if any, assigned to Airline.

#### 12.3 Airline Improvements.

12.3.1 General Provision. Airline shall make no alterations or improvements upon the Premises or install fixtures without first obtaining the written consent of the Port. In no event may Airline make any alterations or improvements to any Common Use Premises. In the event any alterations or improvements shall be made or fixtures (other than trade fixtures) shall be installed by Airline, they shall at once become part of the realty and become the property of the Port. Moveable furniture, equipment and all trade fixtures shall be and remain the property of the Airline, and the Airline, at its expense, upon the expiration or prior termination of this Agreement, shall promptly remove any such furniture and trade fixtures and, at the Port's request, shall restore the Premises to its condition prior to the installation of any such property.

12.3.2 Visual Artists Rights Act. With respect to construction or installation of any improvements at the Premises that might implicate the requirements of the federal Visual Artists Rights Act of 1990, 17 U.S.C. §§ 106A and 113, as they may be amended from time to time ("VARA"), Airline agrees that it shall not (i) hire any artist or permit any sublessee to hire any artist for the purpose of installing or incorporating any work of art into or at the Premises, or



(ii) permit the installation or incorporation of any work of art into or at the Premises, without the prior written approval of the Port. Airline shall provide such reasonable documentation as the Port may request in connection with any such approval, and the approval of the Port may be conditioned upon the execution by the artist of a waiver of the provisions of the VARA, in form and substance acceptable to the Port.

#### 12.4 **Repair.**

12.4.1 Except as otherwise expressly provided herein, Airline specifically acknowledges and agrees that the Port is permitting the use of the Premises by Airline on an “as is with all faults” basis and that Airline is not relying on any representations or warranties of any kind whatsoever, express or implied, from the Port, as to any matters concerning the Premises.

12.4.2 In all Exclusive Premises assigned to Airline, Airline shall at its own expense redecorate and paint the interior of the space and replace electric light bulbs, worn carpeting, or other floor coverings, curtains, draperies, blinds or other furnishings and equipment as their conditions may require. Airline may paint Preferential Use Ticket Counters back wall assigned to it after first obtaining the Port’s approval of the paint color and back wall graphics, and Airline shall be responsible for all associated maintenance.

12.4.3 The Port agrees to keep, operate and maintain the Terminal, including its foundation, structure, outside walls, roof and utility systems. The Port will also keep and maintain (i) all Port-standard fixtures, furnishings, light bulbs, equipment, paint and carpeting or other floor coverings located in the Terminal (except those in Airline’s Exclusive Premises) and in Airline’s Preferential Premises, in a neat, clean and operating condition replacing all Port-standard worn-out fixtures, furnishings, carpeting and other floor coverings, machinery and equipment as may be required; *provided*, however, that, if Airline requests that the Port install non-Port standard fixtures, furnishings, equipment, carpeting or other floor covering in Airline’s Preferential Use Premises, Airline shall be responsible for all associated maintenance and repair costs throughout the Term of this Agreement and, consistent with the provisions of subsection 12.4.2, for painting Airline’s Preferential Use Premises.

12.4.4 Gate Ramp Maintenance. The Port agrees to provide striping and maintain the Industrial Waste System on the Gate Ramp. The Port shall also keep, operate and maintain the concrete infrastructure and structural integrity of the Gate Ramp.

#### 12.5 **Damage or Destruction.**

12.5.1 Damage. If any portion of the Terminal in which Airline occupies Premises under this Agreement is damaged by fire, earthquake or other casualty, but is not rendered unfit for use by Airline, the damage shall be repaired by the Port. If the damage renders the Premises unfit for use by Airline, and if the damage is repairable using reasonable diligence within four months from the date of the occurrence, the Premises shall be repaired by the Port.

12.5.2 Destruction. If any portion of the Terminal in which Airline occupies Premises under this Agreement is completely destroyed by fire, earthquake or other casualty, or damaged to such extent that such damage cannot be repaired within four months from the date of

the occurrence, the Port shall have the option to terminate this Agreement to the extent that it shall apply to the particular Premises. The Port shall within thirty (30) days of such occurrence provide written notice to Airline that it intends to (i) terminate the Agreement or (ii) repair or reconstruct the Premises. If the Port elects to repair or reconstruct the Premises, it shall begin any work necessary to do so and shall use reasonable efforts to provide the Airline with temporary substitute space while the repairs are being completed. If the Port elects to terminate this Agreement, such termination shall be effective as to the Premises, sixty (60) days after the occurrence of the damage, *provided*, however, that before electing to terminate, upon request of Airline the Port shall use reasonable efforts to provide Airline with substitute space for the remaining Term.

12.5.3 Rent Abatement. For the period from the occurrence of any damage to the Premises to the date of completion of the repairs to the Premises (or to the date of termination of the Agreement as to such portions of the Premises if the Port shall elect not to restore them), the rental allocable to the particular Premises involved shall be abated in the same proportion as the unusable portion of the Premises bears to the whole, or, if the damage or destruction has rendered the entire Premises unusable, said rental shall be abated entirely, and upon termination of the Agreement as to such damaged or destroyed Premises, the Airline shall have no further obligation to pay the rental allocable thereto. The costs assigned to such unusable Premises under subsection 8.3.2 shall be evenly redistributed for the duration of such rent abatement among all of rented space in the corresponding Group under subsection 8.3.2. The Port may charge a reasonable rental for any temporary substitute space it furnishes. In the event that the Port shall elect to terminate the Agreement as to the portion of the Premises damaged or destroyed as provided above, and in the event the loss of use thereof by the Airline will have a substantial adverse effect on Airline's use of the remainder of the Premises and its business and operations at the Airport, the Airline may within thirty (30) days after receipt of the Port's notice of termination, terminate this Agreement in its entirety by giving the Port written notice thereof.

## 12.6 **Inspections.**

The Port may, upon reasonable notice to Airline, cause the Premises and Airline's operations at the Airport to be inspected and may conduct an inspection of Airline's operations at the Airport, including pest inspections pursuant to subsection 12.2, to confirm that such operations comply with the requirements set forth in this Agreement. The Port shall use reasonable efforts not to interfere with Airline's operations during any such inspection, and Airline shall cooperate with such inspection. In the event such inspection shows that Airline is not substantially complying with such requirements, without limiting the Port's ability to call a default hereunder, the Port may require that Airline reimburse the Port for the reasonable costs of such inspection. Airline shall promptly remedy any noncompliance shown in any such inspection.

## ARTICLE 13

### COMPLIANCE WITH LAW

#### 13.1 General Laws.

At all times, Airline shall, with respect to its operations at the Airport, comply with all applicable present and future federal, state and local laws, rules, regulations and ordinances, as they may be amended from time to time, whether foreseen or unforeseen, ordinary as well as extraordinary, including without implied limitation those relating to (i) health and safety; (ii) the environment; and (iii) disabled access, including the Americans with Disabilities Act, 42 U.S.C. §§ 12101 *et seq.*

#### 13.2 Airport Rules and Regulations.

The use by Airline of the Premises, the Public Areas, the Airfield Area and all other areas of the Airport shall be subject to such Airport Rules and Regulations as are now or may in the future be adopted by the Port, provided that such Rules and Regulations do not conflict with applicable provisions of state or federal law. Except in the case of emergency Rules and Regulations, the Port shall give Airline written notice and opportunity to comment on any proposed Rules and Regulations that would affect Airline's operations at the Airport before such proposed Rules and Regulations are adopted by the Port. Within twenty (20) calendar days after receipt of the Port's notice of such proposed Rules and Regulations, the Chair of the AAAC (and not Airline individually), may submit, in writing, objections to the proposed Rules and Regulations on behalf of Airline and all other objecting Air Carriers. The Port and the Chair of the AAAC shall have fifteen (15) calendar days after the Port's receipt of the AAAC's objection to meet and discuss the proposed Rules and Regulations. If the AAAC's objections are not resolved, the Port shall provide the proposed Rules and Regulations and the AAAC's objections to the Port Commission prior to implementation, and the AAAC shall have twenty (20) days to comment to the Port Commission on its objections. After the AAAC comments to the Port Commission on its objections, or if the AAAC fails to comment to the Port Commission during the allotted twenty (20) day period, the Port shall implement the proposed Rules and Regulations. This Agreement shall not be interpreted as a waiver of any right of Airline to challenge any future Rules and Regulations of the Port on the basis of the Airline Deregulation Act, 49 U.S.C. § 41713.

## ARTICLE 14

### INDEMNIFICATION - LIABILITY INSURANCE

#### 14.1 Indemnification of Port by Airline.

Except where, and to the extent, caused by the negligence or intentional wrongdoing of Port, its agents, employees, contractors, officers, directors or predecessors in interest, the Port and its officers, employees and agents, shall not be liable for any injury (including death) to any persons or for damage to any property regardless of how such injury or damage may be caused, sustained or alleged to have been sustained by Airline or by others, including but not limited to

all persons directly or indirectly employed by Airline, or any agents, contractors, subcontractors, licensees and invitees of Airline, as a result of any condition (including existing or future defects in the Premises) or occurrence (including failure or interruption of utility service) whatsoever related in any way to the Premises or the areas adjacent thereto or related in any way to Airline's use or occupancy of the Premises and of areas adjacent thereto. Airline agrees to defend (with counsel reasonably acceptable to the Port) and hold and save the Port harmless from all liability and expenses (including attorney's fees, costs, and all expenses of litigation) in connection with any such actual or alleged injury or damage, except where, and to the extent, caused by the negligence or intentional wrongdoing of the Port, its agents, employees, contractors, officers, directors or predecessors in interest. All indemnities provided in this Agreement shall survive the expiration or any earlier termination of this Agreement. Any final judgment rendered against the Port for any cause for which Airline is liable hereunder shall be conclusive against Airline as to liability and amount upon the expiration of the time for appeal therefrom.

14.1.1 Industrial Insurance Laws. Airline shall comply with the statutory requirements of Chapter 51 of the Revised Code of Washington ("RCW") regarding workers compensation coverage for its employees. In any and all claims against the Port by an employee of Airline, the indemnification obligation of Section 14.1 of this Agreement shall not be limited in any way by any limitation on the amount or type of damages or compensation benefits payable by or for the Airline under applicable worker's or workmen's compensation, benefit, or disability laws (including but not limited to RCW 51 Industrial Insurance). Airline expressly waives any immunity Airline might have under such laws and, by agreeing to enter into the Agreement, acknowledges that the foregoing waiver has been mutually negotiated by the parties.

#### 14.2 **Liability Insurance.**

During the Term, Airline shall provide to the Port at the address set forth in Section 1.1, pay for and maintain with companies, reasonably satisfactory to Port, aircraft liability insurance on each aircraft, including all owned, non-owned and hired aircraft, and commercial general liability insurance covering bodily injury, personal injury, property damage, product/completed operations, premises liability and contractual liability. Insurance liability limits shall not be less than \$500 million per occurrence for each aircraft and not less than \$10 million per occurrence for commercial general liability insurance. Insurance shall be placed with companies reasonably satisfactory to the Port in terms of financial strength, rating and solvency. The Port shall be named as an additional insured (using ISO Form 20 26 11 85 or equivalent endorsement acceptable to the Port), and shall be furnished with appropriate written evidence to establish that Airline's insurance obligations as required by this Section have been and continue to be met, and that the insurance coverage required by this Section is not subject to cancellation, nonrenewal or material reduction in coverage without at least thirty (30) days' advance written notice to the Port. The inclusion of the Port as an additional insured shall not create any premium liability for the Port. The liability insurance required by this Section 14.2 shall not contain a deductible or self-insured retention in excess of \$250,000 without the prior written approval of the Port. All deductibles and self-insured retentions shall be paid by, assumed by, for the account of, and at Airline's sole risk. To the extent that Airline relies on excess or "umbrella" policy of insurance to satisfy the requirements of this Section, any such policy shall be no less broad than the

underlying policy, shall have the same inception and expiration dates as the underlying policy, and shall include a drop-down provision.

#### **14.3 Automobile Liability Insurance.**

During the Term, Airline shall provide to the Port at the address set forth in Section 1.1, pay for and maintain with companies reasonably satisfactory to Port, commercial automobile liability insurance covering all owned, non-owned and hired automobiles, trucks and trailers in the minimum single limit of \$5 million for operations outside the Airfield Area and \$10 million for operations inside the Airfield Area and hereafter in such increased amounts or on such revised terms and conditions as the Port may from time to time specify. The policy shall specifically be endorsed to cover all “mobile equipment” utilized by Airline at the Airport. The Port shall be named as an additional insured using an appropriate policy form or endorsement, and shall be furnished with appropriate written evidence to establish that Airline’s insurance obligations as required by this Section have been and continue to be met, and that the insurance coverage required by this Section is not subject to cancellation, nonrenewal or material reduction in coverage without at least thirty (30) days’ advance written notice to the Port. The inclusion of the Port as an additional insured shall not create any premium liability for the Port. The liability insurance required by this Section shall not contain a deductible or self-insured retention in excess of \$50,000 without the prior written approval of the Port. All deductibles and self-insured retentions shall be paid by, assumed by, for the account of, and at Airline’s sole risk. To the extent that Airline relies on excess or “umbrella” policy of insurance to satisfy the requirements of this Section, any such policy shall be no less broad than the underlying policy, shall have the same inception and expiration dates as the underlying policy, and shall include a drop-down provision.

#### **14.4 Other Forms of Insurance.**

Airline shall also obtain all other forms of insurance required for its particular use of the Airport or as required by law.

#### **14.5 Termination, Renewal and Additional Insurance.**

No policy of insurance required under this Agreement shall be cancellable or subject to non-renewal or modification except after thirty (30) days prior written notice to the Port. Airline shall at least thirty (30) days prior to the expiration, cancellation, non-renewal or modification of such policies, furnish the Port with evidence of renewals or “insurance binders” evidencing renewal thereof. In the event of cancellation of any required insurance at any time during the Term, or any change not reasonably acceptable to the Port, including an erosion in available limits below those specified in this Article 14, the Port reserves the right, after consultation with Airline, to provide additional insurance and charge the cost of any premiums for such coverage to the Airline. The Port’s right under this Section 14.5 includes, but is not limited to, the Port purchasing higher limits for its own insurance program to account for an erosion in limits by Airline.

**14.6 No Representation of Adequacy.**

The Port makes no representation that limits or forms of insurance coverage specified or required under this Agreement are adequate to cover Airline's property or Airline's liabilities or obligations under this Agreement.

**14.7 Port's Right to Request Information from Insurance Company.**

If at any time the Port requests a written statement from the insurance company as to any impairments to the aggregate limit, Airline shall promptly authorize and have delivered such statement to the Port. Airline authorizes the Port and its insurance consultant to confirm with Airline's insurance agents, brokers and insurance companies all information furnished the Port, as to Airline's compliance with the Port's insurance requirements.

**14.8 Primary Coverage.**

All insurance policies required under this Agreement shall be endorsed to state that Airline's policy is primary and not contributory with any insurance carried by the Port.

**ARTICLE 15****WAIVER OF SUBROGATION**

The Port and Airline (for themselves and on behalf of anyone claiming through or under them by way of subrogation or otherwise) hereby release each other from liability and waive all right of recovery against each other for any loss to real or personal property located anywhere on or about the Airport from perils which can be insured against under a standard form commercial property or fire insurance policy (specifically including hull insurance or the like) with extended perils coverage endorsements generally available in Washington at the time the loss occurs. The effect of the release and waiver of the right to recover damages shall not be limited by whether the party incurring the loss has actually obtained such insurance, by the amount of insurance carried, or by any deductibles applicable thereto. If a party's applicable insurance policies do not allow the insured to waive the insurer's rights to recovery, the party shall cause each insurance policy to be endorsed to allow the waiver of subrogation required by this section.

**ARTICLE 16****INCREASE IN COST OF INSURANCE**

Airline shall not use the Premises in any manner not contemplated by this Agreement so as to increase the existing rates of insurance applicable to the buildings or structures of which the Premises are a part. If it nevertheless does so, then, at the option of the Port, the full amount of any resulting increase in premiums paid by the Port with respect to the buildings or structures of which the Premises are a part, and to the extent allocable to the Term, shall be paid by Airline to the Port. Conversely, the Port shall not use the Public Areas in any manner not contemplated by this Agreement so as to increase the existing rates of insurance applicable to the Airline's Premises. If it nevertheless does so, then, at the option of the Airline, the full amount of any

resulting increase in premiums paid by the Airline with respect to the buildings or structures of which the Premises are a part, and to the extent allocable to the Term, shall be paid by Port to the Airline.

## **ARTICLE 17**

### **DISCRIMINATION**

#### **17.1 Federal Nondiscrimination Regulations.**

Airline understands and acknowledges that the Port has given to the United States of America, acting by and through the FAA, certain assurances with respect to nondiscrimination, which have been required by Title VI of the Civil Rights Act 1964 and by 49 CFR Part 21 as a condition precedent to the Government making grants in aid to the Port for certain Airport programs and activities, and that Port is required under those Regulations to include in every agreement pursuant to which any person or persons other than Port operates or has the right to operate any facility on the Airport providing services to the public, the following covenant, to which Airline agrees:

Airline, in its operation at and use of Airport, covenants that

17.1.1 No person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities;

17.1.2 In the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination; and

17.1.3 It shall use the premises in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation Effectuations of Title VI of the Civil Rights Act of 1964, and as that regulation may be amended.

17.1.4 Airline further agrees promptly to provide the Port, upon written request by the Port, such information the Port is required to obtain from Airline to show compliance with applicable nondiscrimination laws.

#### **17.2 Affirmative Action.**

Airline assures that it will undertake an affirmative action program if required by 14 CFR Part 152, Subpart E, to ensure that no person shall on the grounds of race, creed, color, national origin, or sex be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. Airline assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. Airline assures that it will require that its covered sub organizations provide assurances

to Airline that they will require assurances from their sub organizations, if required by 14 CFR Part 152, Subpart E, to the same effect.

## **ARTICLE 18**

### **ASSIGNMENT AND SUBLETTING**

Airline shall not assign or transfer this Agreement or any interest therein nor sublet the whole or any portion of the Premises without first obtaining the Port's written consent, nor shall this Agreement or any interest thereunder be assignable or transferable by operation of law or by any process or proceeding of any court, or otherwise without the consent of the Port first had and obtained, which consent shall not be unreasonably withheld. Airline further agrees that if at any time during the Term more than one-half (1/2) of the outstanding shares of any class of stock of Airline's corporation shall belong to any stockholders other than those who own more than one-half (1/2) of the outstanding shares of that class of stock at the time of the execution of this Agreement or to members of their immediate families, such change in ownership of the stock of Airline shall be deemed an assignment of this Agreement within the meaning of this Section (unless Airline is a corporation whose stock is listed on the New York Stock Exchange or other major stock exchange, in which case such an event will not be considered an assignment of this Agreement). Airline's entering into any operating agreement, license or other agreement whereunder a third party, other than a subsidiary, affiliate, or code share partner of Airline is given rights or privileges to utilize portions of the Premises shall be considered an attempted assignment or subletting within the meaning of this Section. Notwithstanding the foregoing, Airline shall not be permitted to assign or transfer this Agreement or any interest therein nor sublet the whole or any portion of the Premises once it has provided the Port with notice of its intent to terminate this Agreement pursuant to the provisions of subsection 20.3.4.

## **ARTICLE 19**

### **SECURITY DEPOSIT**

#### **19.1 Required Deposit.**

If Airline has operated at the Airport for less than twenty-four (24) consecutive months prior to the Effective Date of this Agreement, or Airline does not meet the criteria set forth in Section 19.2 for exemption from the Security Deposit requirement, then Airline shall obtain and deliver to the Port at the address set forth in Section 1.1, a Security Deposit to secure Airline's full performance of this Agreement, including but not limited to all rates, charges and rents now or in the future payable to the Port under this Agreement, including fees for services subject to tariffs such as utilities and parking, and damages for breach or rejection of this Agreement. The amount of the Security Deposit for Passenger Carriers shall be equivalent to: (i) three (3) months of estimated rental charges for Airline's use of its Preferential Use Premises and Exclusive Use Premises, plus (ii) three (3) months estimated rental charges for Airline's use of Common Use Premises and the FIS, plus (iii) three (3) months of Airline's estimated Landing Fees. The amount of the Security Deposit for Cargo Carriers shall be equivalent to (i) three (3) months of Airline's estimated Landing Fees, plus (ii) three (3) months of estimated charges for Airline's use of Common Use Hardstands. The amount, form, provisions and nature of the Security



Deposit, including if appropriate the identity of the surety or other obligor thereunder, shall at all times be subject to the Port's approval. The Security Deposit shall be made in advance by cash, letter of credit, surety bond or other instrument acceptable to the Port and shall remain in place at all times throughout the Term and throughout any holdover period. The Port shall not pay interest on the Security Deposit, and the Port shall not be required to keep the Security Deposit separate from its other accounts. No trust relationship is created with respect to the Security Deposit. The Security Deposit is a part of the consideration for execution of this Agreement. If Airline shall have fully performed all terms and conditions of this Agreement, any cash deposit shall be paid to Airline within thirty (30) days following the termination or expiration of this Agreement, without interest; otherwise the Port shall, in addition to any and all other rights and remedies available under this Agreement or at law or equity, retain the Security Deposit. The Port may apply all or part of the Security Deposit to any unpaid sum due under this Agreement or to cure other Events of Default (defined in Article 20) except that Events of Defaults shall include any event that would constitute an Event of Default upon the giving of written notice and the passage of time even if the notice and passage of time has not occurred. If the Port depletes the Security Deposit in this way, Airline shall restore the Security Deposit within ten (10) days after the receipt of the Port's written request to do so. Notwithstanding the foregoing, in the event the Port depletes the Security Deposit and an unpaid sum remains due under this Agreement, the Port shall have the right to recover the total of such unpaid sum through the rates and charges mechanism set forth in Article 8; *provided*, however, this shall not release nor in any way affect the liability of Airline for such unpaid sums.

19.1.1 If, Airline maintains the Security Deposit required by Section 19.1 for a period of twenty-four (24) consecutive months, during which period Airline has provided continuous service to and from the Airport, and Airline does not commit an Event of Default under Section 20.1 then, at the end of said twenty-four (24) month period, the Port shall return the Security Deposit to Airline, and Airline will be exempt from providing a Security Deposit. *Notwithstanding the foregoing*, if at any time after Airline is exempt from the Security Deposit requirement, Airline commits an Event of Default under Section 20.1, Airline shall once again be subject to the Security Deposit requirement in accordance with Section 19.3.

## 19.2 Exemptions.

The Port shall not require a Security Deposit where Airline meets all of the criteria in subsections (a) *or* (b) of this Section 19.2 as of the Effective Date. Airline shall have the burden of proving, to the Port's reasonable satisfaction, that Airline is not required to provide a Security Deposit pursuant to this Section. Airline further acknowledges and agrees that in the event of a default by a Signatory Airline that does not have a Security Deposit pursuant to this Section, Airline and all other Signatory Airlines shall be responsible for the payment of any costs, losses, amounts associated with the default or breach by any Signatory Airline in accordance with Article 8 of this Agreement.

(a) Airline is in good standing without any uncured Event of Default under Section 20.1 of the Signatory Lease and Operating Agreement that expired on December 31, 2012; Airline is not in bankruptcy; and Airline has been operating at the Airport for a minimum of twenty-four (24) consecutive months as of the Effective Date; *or*

(b) Airline has not provided service to and from the Airport for a period of twenty-four (24) consecutive months prior to the Effective Date, *and* Airline provides written certified proof to the Port that: (i) Airline has provided such service to at least ten (10) other airports in the United States during the twenty-four (24) consecutive months prior to the Effective Date; *and* (ii) Airline has not been delinquent in payment of PFCs, landing fees, terminal rents or any other rate or charge due at any of such other airports during said twenty-four (24) consecutive months.

### **19.3 Events of Default – Security Deposit Required.**

If, at any time during the Term of this Agreement, Airline shall commit an Event of Default under Section 20.1 that is not fully cured in accordance with the applicable provisions of Section 20.1, then the Port shall have the right to immediately impose or reimpose the Security Deposit requirements of Section 19.1, and shall provide Airline with notice thereof. In such event, Airline shall provide the Port with the required Security Deposit no later than ten (10) calendar days after receipt of the Port’s notice imposing the Security Deposit requirement. Airline shall maintain such Security Deposit for the remainder of the Term of this Agreement. The Port’s rights under this Section shall be in addition to all other rights and remedies provided to the Port under this Agreement or otherwise provided by law.

## **ARTICLE 20**

### **TERMINATION**

#### **20.1 Airline Defaults.**

20.1.1 The occurrence of any one or more of the following events shall constitute a breach of this Agreement and an “Event of Default” under this Agreement:

20.1.2 Airline shall fail duly and timely to pay any Landing Fees, Terminal Rent or any other rate or charge due under this Agreement, when due to Port, and such failure shall continue for five (5) days beyond Airline’s receipt, pursuant to Section 24.21, of a written notice of such breach or default from Director. Notwithstanding the foregoing, in the event there occur two (2) defaults in the payment of Landing Fees, Terminal Rent or other rate or charge due under this Agreement in any twelve (12) month period, thereafter Airline shall not be entitled to, and Port shall have no obligation to give, notice of any further payment defaults. In such event, there shall be deemed to occur an “Event of Default” immediately upon Airline’s failure timely to pay Landing Fees, Terminal Rent or other payment due under this Agreement.

20.1.3 Airline shall fail duly and timely to remit to the Port passenger facility charges (“PFCs”) collected by Airline from its passengers in accordance with 49 U.S.C. § 40117 and applicable implementing regulations adopted by the FAA, 14 CFR Pt. 158, as they may be amended from time to time.

20.1.4 Airline shall become insolvent, take the benefit of any present or future insolvency statute, make a general assignment for the benefit of creditors, file a voluntary petition in bankruptcy or a petition or answer seeking an arrangement for its reorganization or

the readjustment of its indebtedness under the federal bankruptcy laws, or under any other law or statute of the United States or of any state, or consent to the appointment of a receiver, trustee, or liquidator of any or substantially all of its property, or petition under any part of the federal bankruptcy laws, or an action under any present or future insolvency law or statute shall be filed against Airline and shall not be dismissed within ninety (90) days after the filing thereof.

20.1.5 There shall occur a transfer subject to Section 18.1 without the prior approval of the Port.

20.1.6 Airline shall abandon, desert, or vacate the Premises.

20.1.7 Any lien shall be filed against the Premises as a result of an act or omission of Airline, and shall not be discharged within sixty (60) days after receipt of notice by Airline.

20.1.8 Airline shall fail to obtain and maintain the insurance required by this Agreement, or provide copies of the policies or certificates to Port as required.

20.1.9 Airline shall fail to keep, perform and observe each and every other promise, covenant and agreement set forth in this Agreement, and such failure shall continue for a period of more than five (5) days after delivery by Director of a written notice of such failure or if satisfaction of such obligation requires activity over a period of time, if Airline fails to commence the cure of such failure within five (5) days after receipt of such notice, or thereafter fails to diligently prosecute such cure, or fails to actually cause such cure within thirty days after the giving of such notice.

## 20.2 **Port Remedies.**

### 20.2.1 General Remedies – Applicable to All Portions of the Premises.

(a) Whenever any default shall occur (other than a default pursuant to subsection 20.1.4 upon which termination of this Agreement, at the Port's option, shall be effective immediately without further notice), this Agreement and all of Airline's rights thereunder shall terminate if the written notice of default so provides. The Port shall be entitled to recover from Airline all unpaid rent and fees and damages incurred because of such default, including, but not limited to, attorneys fees and costs ("Termination Damages"), together with interest on all Termination Damages at the rate of 18% per annum, or the maximum rate permitted by applicable law, whichever is lower, from the date such Termination Damages are incurred by the Port.

(b) In addition to Termination Damages, and notwithstanding termination, Airline's liability for all rent and fees which, but for termination of the Agreement, would have become due over the remainder of the Agreement ("Future Charges") shall not be extinguished and Airline agrees that the Port shall be entitled, upon termination for default, to collect as additional damages a Rental Deficiency. As used in this subsection 20.2.1, a "Rental Deficiency" shall mean: an amount or amounts equal to Future Charges less the amount or amounts of rental, if any, which the Port shall receive during the remainder of the Term from

others to whom the Premises may be rented, in which case such Rental Deficiency shall be computed and payable at Port's option either: (i) in an accelerated lump sum payment or (ii) in monthly installments, in advance, on the first day of each calendar month following termination of the Agreement and continuing until the date of which the Term would have expired but for such termination, and any suit or action brought to collect any portion of Rental Deficiency attributable to any particular month or months, shall not in any manner prejudice the Port's right to collect any portion of Rental Deficiency by a similar proceeding.

(c) The Port's action pursuant to this subsection 20.2.1 shall not in any way limit the Port in the pursuit of any other additional right or remedy available to the Port in law or in equity by reason of Airline's default.

#### 20.2.2 Additional Remedies for Exclusive Premises.

(a) Whenever any default shall occur (other than a default pursuant to subsection 20.1.4 upon which termination of this Agreement, at the Port's option, shall be effective without further notice), this Agreement and all of Airline's rights thereunder shall terminate if written notice of the default so provides. In the event such default involves space occupied by Airline on an Exclusive Use basis, in addition to those remedies for default set forth in subsection 20.2.1, above, upon termination the Port may re-enter and take exclusive possession of any such Exclusive Premises and remove all persons and property from such Exclusive Premises, without Port being liable to Airline for damage or loss thereby sustained by Airline. The Port shall be entitled to recover from Airline, in addition to Termination Damages, additional damages incurred because of such default, including but not limited to the costs of removing or storing any personal property from the Exclusive Premises, the cost of re-letting the Exclusive Premises and the costs of any necessary renovations or repairs and related expenses ("Additional Termination Damages"), together with interest on all Additional Termination Damages at the rate of 18% per annum, or the maximum rate permitted by applicable law, whichever is lower, from the date such Additional Termination Damages are incurred by the Port. Airline shall have no right to or claim upon any improvements that may have been previously installed by Airline in or on the Exclusive Premises.

(b) If this Agreement terminates as a result of Airline's default, the Port shall use reasonable efforts to relet the Exclusive Premises or any part thereof, alone or together with other Exclusive Premises, for such term or terms and for such use or uses as the Port in its sole discretion may determine. Airline's obligations hereunder shall not be discharged by reason or failure of Port to relet the Exclusive Premises.

(c) The Port's actions pursuant to this subsection 20.2.2 shall not in any way limit the Port in pursuant of any other additional right of remedy available to the Port in law or in equity by reason of Airline's default.

**20.3 Termination.** This Agreement may be terminated in advance of its Expiration Date in the following events:

20.3.1 In the event the Port, in its sole discretion, shall require the use of the Premises or any substantial portion of the Premises for a major capital improvement for public or

private use in connection with the operation of the business of the Port, this Agreement may be terminated by the Port by written notice delivered or mailed by the Port to Airline not less than one (1) year before the termination date specified in the notice; or

20.3.2 In the event that any federal, state or local government or agency or instrumentality thereof shall, by condemnation or deed or conveyance in lieu thereof, take title, possession or the right to possession of the Premises or any substantial portion of the Premises, the Port may, at its option, terminate this Agreement as of the date of such taking; or

20.3.3 In the event that any court having jurisdiction in the matter shall render a decision which has become final and which will permanently or for a substantial period of time prevent the performance by the Port of any of its material obligations under this Agreement, then either party hereto may terminate this agreement by written notice. This right of termination shall be and remain effective whether or not the Port, by taking affirmative action or by inaction, could have prevented the rendering of the decision or could have caused the decision to be vacated before it became final.

20.3.4 Reserved.

20.3.5 In the event of termination of this Agreement under any of the above subsections, all rights and obligations of the parties (with the exception of any undischarged rights and obligations that accrued prior to the effective date of such termination) shall terminate, and if Airline is not in default under any of the provisions of this Agreement on the effective date of termination, any rent prepaid by Airline shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Airline.

20.3.6 In the event of termination of this Agreement under subsection 20.3.1, the Port shall reimburse Airline for the unamortized costs of any improvements to the Terminal constructed by Airline with the Port's consent during the Term, *provided*, however, that the costs of any such improvements shall be amortized on such reasonable basis as the Port may specify in writing when the Port's consent for the improvement is given to Airline under subsection 12.3.1 of this Agreement unless Airline has previously been reimbursed by the Port for the costs of such improvements.

**20.4 Airline's Right to Partial Termination.** Airline shall have the right to terminate its use of certain Premises prior to the expiration of this Agreement, but solely under the terms and conditions set forth below:

20.4.1 In the event Airline determines that its operations do not require use of all the Preferential Premises assigned to it pursuant to subsection 2.3.1, Airline may give the Port ninety (90) days written notice of its intent to terminate portions of its Preferential Use Premises; *provided*, however, that in order to exercise its rights under this subsection, Airline shall be required to surrender to the Port all Exclusive Premises associated with Airline's operations of the Preferential Premises to be terminated under this subsection, unless the Port, in its sole discretion, determines surrender of said Exclusive Premises is not required; and *further provided*, however, Airline may not terminate its assignment of a Preferential Use Gate unless it is adjacent to either a Common Use Gate or a Preferential Use Gate assigned to an Air Carrier other than

Airline. Until the Port reassigns to other Air Carriers the Premises surrendered by Airline under this subsection 20.4.1, the costs assigned to such surrendered Premises under subsection 8.3.2 shall be evenly redistributed among all of the rented space in the corresponding Group under subsection 8.3.2. If the Port determines that the resulting reduction of Airline's Preferential Premises would cause the Terminal Rents under Article 8 of the Agreement to vary substantially from the Terminal Rents then in effect, the Port may, in its sole discretion, make mid-year adjustments to the existing Terminal Rents as provided in Section 8.5.1.

20.4.2 All Premises surrendered by Airline under this Section 20.4 shall be subject to the provisions of Article 21.

**20.5 Port's Right to Partial Termination.** In the event the Port determines, in its sole discretion, that Airport operations or capital project development require the use of all or a portion of Airline's Exclusive Premises, the Port shall provide Airline with one-hundred twenty (120) days notice of termination of the required Exclusive Premises. If Airline is required to move pursuant to this Section 20.5, the Port shall relocate Airline to Exclusive Premises that are reasonably similar to those previously occupied by Airline, and shall pay for all reasonable costs of such relocation, which shall be recoverable under Article 8.

**20.6 Port's Right to Perform.** All agreements and obligations to be performed by Airline under any of the terms of this Agreement shall be at its sole cost and expense and without any abatement of Terminal Rent or Landing Fees. If Airline shall fail to make any payment or perform any act on its part to be performed hereunder and such failure shall continue for ten (10) days, after notice thereof by Port, Port may, but shall not be obligated to do so, and without waiving or releasing Airline from any obligations of Airline, make any such payment or perform any such other act on Airline's part to be made or performed as provided in this Agreement. All sums so paid by Port and all necessary incidental costs shall be deemed additional rent hereunder and shall be payable to Port on demand, and Port shall have (in addition to any other right or remedy of Port) the same rights and remedies in the event of the nonpayment thereof by Airline as in the case of default by Airline in the payment of Terminal Rent or Landing Fees.

**20.7 Rights Related to Termination.** In the event of any termination based on any breach of the covenants, terms and conditions contained in this Agreement, all rights, powers and privileges of Airline under this Agreement shall cease, and Airline shall immediately vacate any portions of the Premises occupied by it under this Agreement. Airline shall have no claim of any kind whatsoever against Port by reason of such termination or by reason of any act by Port.

## **ARTICLE 21**

### **SURRENDER OF POSSESSION**

Airline agrees to yield and deliver to Port possession of the Premises as a result of: (i) the termination of this Agreement; (ii) the partial termination of Premises under Section 20.4 or Section 20.5; (iii) the reallocation of Premises under Article 4 and/or Article 5; or (iv) the termination of any holdover period. Upon surrender, all Premises shall be in good condition in accordance with Airline's obligations under this Agreement, except for damage or loss due to reasonable wear and tear, fire or other casualty, or other cause beyond Airline's control, and

Airline shall have the right for thirty (30) days after the surrender of said Premises to remove all furniture, equipment and trade fixtures; subject, however, to any valid lien which Port may have thereon for unpaid rentals or fees. Such removal shall not damage the Premises. If damage results from such removal, Airline shall restore the Premises to as good condition as they were prior to removal, normal wear and tear excepted.

## **ARTICLE 22**

### **HOLDING OVER**

If Airline shall, with the consent of Port, hold over after the expiration or sooner termination of this Agreement, the resulting tenancy shall, unless otherwise mutually agreed, be on a month-to-month basis and may be terminated by the Port or Airline at any time on thirty (30) days written notice to the other party. During such month-to-month tenancy, Airline shall continue to pay Terminal Rent and Landing Fees and shall be bound by all of the provisions of this Agreement, insofar as they may be pertinent, unless different terms and conditions shall be agreed upon.

## **ARTICLE 23**

### **ENVIRONMENTAL STANDARDS**

23.1 **Definitions.** For purposes of this Article 23, the following terms shall have the following meanings:

23.1.1 “Environmental Law” means any environmentally related state or federal law, regulation, ordinance, permit or order (including without limitation any final order of any court of competent jurisdiction), now or hereafter in effect.

23.1.2 “Hazardous Substances” means any substance or material defined or designated as a hazardous waste, toxic substance, or other pollutant or contaminant by any Environmental Law.

23.1.3 “Release” means any spilling, leaking, pumping, pouring, emitting, discharging, leaching, dumping or disposing into or on any property or the environment. Petroleum spills of less than five (5) gallons are excluded unless water or soil are impacted.

23.2 **Restriction on Hazardous Substances.** Airline shall not allow the presence or Release on the Airport of any Hazardous Substance that is in violation of any Environmental Law. Airline shall not allow any Hazardous Substances first Released during the Term to migrate off the Airport or allow the Release of any Hazardous Substances into adjacent surface waters, soils, underground waters or air in violation of any Environmental Law. At the reasonable written request of the Port, Airline shall provide the Port with Airline’s USEPA Waste Generator Number. Airline shall immediately notify the Port in writing should Airline become aware of: (1) any Release of any Hazardous Substances or the occurrence of any other environmental problem or liability with respect to the Airport or any real property adjoining or in the vicinity of the Airport; (2) any notice given to Airline from any third party with respect to

any Release or threat of Release of any Hazardous Substances; or (3) the commencement of any litigation or any information relating to any threat of litigation relating to any alleged unauthorized Release of any Hazardous Substances or other environmental contamination, liability or problem with respect to the Airport. In addition to any remedy provided in this Agreement, the Port shall be entitled to full reimbursement from Airline whenever the Port incurs any reasonable costs directly attributable to Airline's use or management of Hazardous Substances at the Airport, including but not limited to, costs of clean-up or other remedial activities, fines or penalties assessed directly against the Port, and injuries to third persons or other properties.

**23.3 Compliance and Remediation.** Airline shall at all times conduct its business at the Airport in compliance with all applicable Environmental Laws and if Airline or the Premises is in violation of any Environmental Law concerning the presence, use, Release or threat of Release of Hazardous Substances or any other Environmental Law (whether or not pertaining to Hazardous Substances), Airline shall promptly take such action as is reasonably necessary to remedy and cure the violation.

**23.4 Port Remedies.** If Airline, or the Premises because of actions that occur during the Term, is in violation of any Environmental Law concerning Hazardous Substances and Airline does not act promptly to take such action as is reasonably necessary to remedy and cure the violation, the Port has the right, but not the obligation, to come onto the Premises, to act in place of the Airline (Airline hereby appoints the Port as its agent for such purposes) and to take such action reasonably necessary to cure the violation. If the Port has a reasonable belief that Airline's actions or inactions present a threat of violation or a threat of damage to the Premises, the Port reserves the right to enter onto the Premises and take such corrective or mitigating action as the Port deems reasonably necessary. All reasonable costs and expenses incurred by the Port in connection with any such actions shall become due and payable by Airline thirty (30) days after presentation of an invoice to the extent caused by Airline's violation of Environmental Law.

**23.5 Access to Premises.** At the forty eight (48) hour advance request of the Port, the Airline shall grant access to the Premises to conduct an annual environmental inspection. The Port shall conduct the inspection in a manner that does not unduly interfere with Airline's operation. In addition, Airline shall permit the Port access to the Premises at any reasonable time upon reasonable notice for the purpose of conducting environmental testing. Prior to conducting environmental testing, the Port shall provide written notice to Airline concerning the planned testing procedures and locations. The results of such testing shall be provided to Airline as well. In the event of an emergency, Airline shall immediately grant the Port access to the Premises for any necessary environmental response activities, including environmental testing needed in response to the emergency.

**23.6 Vacating of Premises.** Prior to vacating the Premises, in addition to all other requirements under this Agreement, Airline shall remove any Hazardous Substances placed on the Premises during the Term by Airline, or as a result of Airline's use or occupancy of the Premises and shall demonstrate such removal to the Port's reasonable satisfaction. This reasonable removal and demonstration shall be a condition precedent to the Port's return of any



portion of the Security Deposit, if any, to Airline upon termination or expiration of this Agreement.

**23.7 Environmental Indemnity.** Without limiting any indemnities provided in this Agreement for other than environmental matters, and except for Excluded Environmental Claims, as hereinafter defined, Airline agrees to defend, indemnify and hold the Port free and harmless from any and all claims, causes of action, regulatory demands, liabilities, fines, penalties, losses, and expenses, including without limitation clean-up or other remedial costs (and including actually incurred reasonable attorneys' fees, costs and all other reasonable litigation expenses when incurred and whether incurred in defense of actual litigation or in reasonable anticipation of litigation), arising from the existence or discovery of any Hazardous Substance on the Premises or at the Airport, or the Release of any Hazardous Substance from the Premises to other properties or into the surrounding environment or from any other violation of Environmental Law, whether made, commenced or incurred during the Term, or made, commenced or incurred after the expiration or termination of this Agreement, directly attributable to Airline's actions during the Term or any holdover period. For purposes of this Section 23.7, "Excluded Environmental Claims" shall mean, any claims, causes of action, demands, liabilities, fines, penalties, costs, expenses or any other liabilities, to the extent caused by or arising from (A) the migration of Hazardous Substances not first Released during the Term; and (B) the movement of Hazardous Substances first Released outside the Premises onto or under the Premises due to leaching or the flow of groundwater, provided that Airline is not otherwise responsible for the off-Premises Release that introduced the migrating Hazardous Substances into the environment.

## ARTICLE 24

### MISCELLANEOUS PROVISIONS

#### 24.1 No Personal Liability.

No director, officer, agent or employee of either party shall be charged personally or contractually liable by or to the other party under any term or provision of this Agreement or because of any breach of this Agreement or because of their execution or attempted execution of this Agreement.

#### 24.2 Governing Law.

This Agreement shall be deemed to have been made in, and be construed in accordance with the laws of, the State of Washington.

#### 24.3 No Waiver.

No waiver of default of any of the terms, covenants and conditions of this Agreement to be performed, kept and observed by the other party shall be construed as, or operate as, a waiver of any subsequent default of any of the terms, covenants or conditions of this Agreement to be performed, kept and observed by the other party.

**24.4 No Exclusive Remedy.**

No remedy provided by this Agreement shall be deemed to be exclusive.

**24.5 Subordination to Sponsor's Assurance Agreement.**

This Agreement shall be subordinate and subject to the terms of any "Sponsor's Assurance Agreement" or like agreement that has been or may be furnished to the FAA by the Port or required by law.

**24.6 SEC Rule 15c2-12.**

Airline, upon request by the Port, shall provide the Port with such information as the Port may reasonably request in writing to comply with the Port's continuing disclosure requirements under SEC Rule 15c2-12 as it may be amended from time to time, *provided*, however, that Airline may in lieu of providing the requested information direct the Port to an Airline or SEC website where the requested information is then currently available.

**24.7 Force Majeure.**

Neither the Port nor Airline shall be deemed in violation of this Agreement if it is prevented from performing any of its obligations under this Agreement by reason of strikes, boycotts, labor disputes subject to the provisions of Section 24.22, embargoes, shortages of material, acts of terrorism, riots, rebellion, sabotage or any other casualty which is not within its control; *provided*, however, that these provisions shall not excuse Airline from payment of the Landing Fees, Terminal Rents and other rates and charges specified in Article 8.

**24.8 Severability.**

In the event any covenant, condition or provision in this Agreement is held to be invalid by a court of competent jurisdiction, the invalidity of any such covenant, condition or provision shall in no way affect any other covenant, condition or provision in this Agreement, provided the invalidity of any such covenant, condition or provision does not materially prejudice either the Port or Airline in their respective rights and obligations contained in the valid covenants, conditions and provisions of this Agreement.

**24.9 Headings.**

The headings of the several sections of this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of any provisions of this Agreement, and shall not be construed to affect in any manner the terms and provisions, of or the interpretation or construction, of this Agreement.

#### 24.10 **Exclusiveness of Airline's Rights.**

Nothing contained in this Agreement shall be deemed to grant to Airline any exclusive right or privilege within the meaning of 49 U.S.C. § 40103(e) with respect to activity on the Airport, except that, subject to the terms and provisions of this Agreement, Airline shall have the right to exclusive possession of any Exclusive Premises made available to Airline under the provisions of this Agreement.

#### 24.11 **Withholding Required Approvals.**

Whenever the approval or consent of the, Port or Airline is required by this Agreement, no such approval or consent shall be unreasonably refused, withheld or delayed.

#### 24.12 **Successors and Assigns.**

All of the terms, provisions, covenants, stipulations, conditions and considerations in this Agreement shall extend to and bind the legal representatives, successors, and assigns of each party to this Agreement.

#### 24.13 **Taxes.**

Airline recognizes and understands that this Agreement may create a possessory interest subject to property taxation, including state leasehold tax, and that Airline may be subject to the payment of property taxes levied on such interest. Airline shall be liable for, and shall pay throughout the Term, all taxes payable for, or on account of, the activities conducted by Airline on the Airport and all taxes on the personal property of Airline on the Premises and any taxes on the Premises or on any property interest created by this Agreement and any taxes levied in lieu of a tax on any such property interest and any taxes levied on, or measured by, the Terminal Rents and other charges payable under this Agreement, whether imposed on Airline or on the Port. Airline shall reimburse the Port for all such taxes paid or payable by the Port. With respect to any such taxes payable by the Port that are levied on, or measured by, the Terminal Rents or other charges payable under this Agreement, Airline shall pay to the Port with each payment an amount equal to the tax levied on, or measured by, that particular payment. All other tax amounts for which the Port is or will be entitled to reimbursement from Airline shall be payable by Airline to the Port at least fifteen (15) days prior to the due dates of the respective tax amounts involved, provided that Airline shall be entitled to a minimum of ten (10) days written notice of the amounts payable by it.

#### 24.14 **Exhibits.**

All exhibits referred to in this Agreement and which may, from time to time, be referred to in any duly executed amendment to this Agreement are (and with respect to future amendments, shall be) by such reference incorporated in this Agreement and shall be deemed a part of this Agreement as fully as if set forth within it.

**24.15 Entire Agreement.**

This Agreement supersedes the 2006 SLOA, if any, between Airline and the Port; *provided*, however, that any approvals obtained from either party under the provisions of the 2006 SLOA shall survive its termination. The parties intend that this Agreement shall be the final expression of their agreement with respect to its subject matter and may not be contradicted by evidence of any prior or contemporaneous written or oral agreements or understandings. The parties further intend that this Agreement shall constitute the complete and exclusive statement of its terms and that no extrinsic evidence whatsoever (including prior drafts of the Agreement) may be introduced in any judicial, administrative or other legal proceeding involving this Agreement.

**24.16 Amendments.**

Except as specifically provided herein, neither this Agreement, nor any of its term or provisions, may be changed, waived, discharged or terminated, except by a written instrument signed by the party against which the enforcement of the change, waiver, discharge or termination is sought.

**24.17 No Third-Party Beneficiaries.**

There are no third-party beneficiaries to this Agreement.

**24.18 No Joint Venture.**

It is expressly agreed that the Parties are not, in any way or for any purpose, partners and therefore do not assume any responsibilities for one another.

**24.19 Attorneys' Fees.**

In the event that either party shall be required to bring any action to enforce any of the provisions of this Agreement, or shall be required to defend any action brought by the other party with respect to this Agreement, and in the further event that one party shall substantially prevail in such action, the losing party shall pay all of the prevailing party's reasonable costs and reasonable attorneys fees as determined by the court. In the event the Port or Airline is represented by in-house attorneys in such action, such attorneys' fees shall be computed at hourly rates charged by attorneys of comparable experience in private practice in Seattle; *provided*, however, that Airlines shall only be required to pay to the Port the difference between the total attorneys fees owed by Airline and the amount direct billed to the Port by its in-house counsel.

**24.20 Liens and Encumbrances.**

Airline shall keep the Premises free and clear of any liens and encumbrances arising or growing out of Airline's use and occupancy of the Premises or activities at the Airport. Airline agrees to fully indemnify and defend the Port in connection with any such liens filed against the Premises. At the Port's request, Airline shall furnish the Port with written proof of payment of any item that would or might constitute the basis for such a lien on the Premises if not paid.

**24.21 Notices.**

All notices and payments under this Agreement may be delivered or mailed. If delivered by messenger or courier (including overnight air courier), they shall be deemed delivered when received at the street addresses listed in Article 1. If mailed, they shall be sent to the Port's Address and Airline's Address as provided in Article 1, respectively, or to such other respective addresses as either party may from time to time designate in writing. All notices and payments mailed by regular post (including first class) shall be deemed to have been given on the second business day following the date of mailing, if properly mailed and addressed. Notices and payments sent by certified or registered mail shall be deemed to have been given on the third business day following the date of mailing, if properly mailed and addressed. For all types of mail, the postmark affixed by the United States Postal Service shall be conclusive evidence of the date of mailing.

**24.22 Labor Disputes.**

Airline agrees to use reasonable efforts to avoid disruption to the Port, its tenants or members of the public, arising from labor disputes involving Airline, and in the event of a strike, picketing, demonstration or other labor difficulty involving Airline, to use its good offices, including the utilization of available legal remedies, to minimize or eliminate any disruption to the Port, its tenants or members of the public, arising from such strike, picketing, demonstration or other labor difficulty.

**24.23 Agreement Not to Grant More Favorable Terms.**

During the Term, the Port agrees not to enter into any lease, contract or other agreement with any other Air Carrier conducting operations at the Airport that contains rates and charges more favorable to such Air Carrier than the rates and charges payable by Airline under this Agreement, unless the Port also makes those more favorable terms available to Airline. The provisions of this Section 24.23 shall in no way limit, impair or interfere with the Port's ability to charge or establish such rates and charges as the Port may deem applicable when entering into any lease, contract or other agreement with any party that is not an Air Carrier.

IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the Effective Date.

**PORT OF SEATTLE**

a municipal corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

AIRLINE: <Airline Legal Name>

<Company Type and State>

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KING )

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the \_\_\_\_\_ of the PORT OF SEATTLE, a municipal corporation of the State of Washington, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
Notary Public in and for the State of Washington,  
residing at: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_, of the State of \_\_\_\_\_, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2013.

\_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_,  
residing at: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

## EXHIBIT B

### **SEATAC INTERNATIONAL AIRPORT LEGAL DESCRIPTION (AS OF APRIL, 2003)**

THOSE PORTIONS OF SECTIONS 16, 20, 21, 28, 29, 32 AND 33, ALL IN TOWNSHIP 23 NORTH, RANGE 4 EAST, W.M., AND SECTIONS 4,5,8,AND 9 TOWNSHIP 22 NORTH, RANGE 4 EAST, W.M., ALL IN KING COUNTY, WASHINGTON, MORE FULLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTHWEST CORNER OF SECTION 21, THENCE S 1°32'40" W A DISTANCE OF 687.14 FEET, TO THE INTERSECTION OF THE SOUTH MARGIN OF SO. 146<sup>TH</sup> ST. AND THE CENTERLINE OF 16<sup>TH</sup> AVE. S. AND THE TRUE POINT OF BEGINNING,

THENCE S 89° 42' 53" E ALONG SAID MARGIN A DISTANCE OF 2599.82 FEET, TO THE WEST

MARGIN OF 24<sup>TH</sup> AVE. SOUTH;

THENCE S 1° 12' 07" W ALONG SAID MARGIN A DISTANCE OF 2344.66 FEET;

THENCE N 88° 47' 53" W A DISTANCE OF 65.00 FEET;

THENCE S 1° 12' 07" A DISTANCE OF 259.67 FEET, TO THE NORTHERLY MARGIN OF S 154<sup>TH</sup> ST.;

THENCE N 89° 07' 21" W A DISTANCE OF 65.00 FEET;

THENCE S 1° 06' 32" W A DISTANCE OF 77.51 FEET, TO THE POINT OF CURVE TO THE LEFT

HAVING A RADIUS OF 230.00 FEET WITH A CENTRAL ANGLE OF 90°13'23"

WHOSE TERMINUS POINT BEARS S 88° 53' 28" E, AN ARC DISTANCE OF 362.25 FEET TO A POINT OF TANGENCY;

THENCE N 0° 53' 09" E A DISTANCE OF 171.00 FEET;

THENCE S 87° 36' 22" E A DISTANCE OF 228.00 FEET, TO A POINT OF INTERSECTION WITH A

CURVE TO THE RIGHT HAVING A RADIUS OF 835.00 FEET, WITH A CENTRAL ANGLE OF 34°49'38" WHOSE TERMINUS POINT BEARS S 0° 52' 40" W AN ARC DISTANCE OF 507.55 FEET TO A POINT OF TANGENCY;

THENCE S 54° 17' 42" E A DISTANCE OF 389.30 FEET, TO A POINT OF CURVE TO THE RIGHT

HAVING A RADIUS OF 635.00 FEET, WITH A CENTRAL ANGLE OF 89°56'15"

WHOSE TERMINUS POINT BEARS S 35° 42' 18" W AN ARC DISTANCE OF 996.76 FEET TO A POINT OF TANGENCY;

THENCE S 35° 38' 33" W DISTANCE OF 611.29 FEET, TO A POINT OF CURVE TO THE LEFT HAVING

A RADIUS OF 1965.00 FEET, WITH A CENTRAL ANGLE OF 3°37'29" WHOSE

TERMINUS POINT BEARS S 54° 21' 27" E, AN ARC DISTANCE OF 124.31 FEET, TO A POINT ON THE NORTH MARGIN OF SO. 160<sup>TH</sup> ST.;

THENCE S 89° 08' 57" E ALONG SAID MARGIN A DISTANCE OF 434.00 FEET;

THENCE S 1° 27' 39" W A DISTANCE OF 30.00 FEET, TO THE NORTHWEST CORNER OF THE

NORTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 28;

THENCE CONTINUING S 1° 27' 39" W A DISTANCE OF 814.56 FEET;



## EXHIBIT B

THENCE N 89° 09' 37" W A DISTANCE OF 657.02 FEET;  
THENCE S 1° 31' 52" W A DISTANCE OF 1809.53 FEET, TO THE SOUTH LINE OF THE  
NORTHEAST  
QUARTER  
OF SECTION 28;

THENCE S 1° 36' 48" W A DISTANCE OF 682.20 FEET, TO THE SOUTHERLY MARGIN  
OF S. 170<sup>TH</sup>  
STREET;

THENCE S 88° 58' 49" E A DISTANCE OF 330.33 FEET;

THENCE S 1° 33' 10" W A DISTANCE OF 623.29 FEET;

THENCE S 88° 47' 28" E A DISTANCE OF 490.00 FEET, TO A POINT ON A CURVE OF  
THE

WESTERLY MARGIN OF INTERNATIONAL BOULEVARD (U.S. HIGHWAY 99), SAID  
CURVE TO THE LEFT HAVING A RADIUS OF 5779.58 FEET, WITH A CENTRAL  
ANGLE OF 6°53'44" WHOSE TERMINUS POINT BEARS

S 84° 50' 31" E AN ARC DISTANCE OF 695.56 FEET TO A POINT OF TANGENCY;  
THENCE SOUTHERLY ALONG SAID MARGIN TO THE NORTHWEST CORNER OF  
TRACT 20, BOW

LAKE TRACTS UNRECORDED;

THENCE CONTINUE SOUTHERLY ALONG SAID MARGIN A DISTANCE OF 21.40 FEET;

THENCE S 87° 58' 45" W A DISTANCE OF 96.00 FEET;

THENCE S 40° 44' 36" W A DISTANCE OF 92.76 FEET;

THENCE N 88° 10' 06" W A DISTANCE OF 0.57 FEET;

THENCE S 41° 29' 37" W A DISTANCE OF 142.37 FEET;

THENCE CONTINUING S 41° 29' 37" W A DISTANCE OF 196.34 FEET;

THENCE S 23° 31' 31" W TO THE EAST MARGIN OF 28<sup>TH</sup> AVE SOUTH;

THENCE N 89° 39' 32" W A DISTANCE OF 40 FEET TO THE WEST MARGIN OF 28<sup>TH</sup>  
AVE. SOUTH; THENCE SOUTHERLY ALONG SAID MARGIN TO THE NORTHERLY  
MARGIN OF SOUTH 188TH ST;

THENCE CONTINUING S 3° 11' 54" W A DISTANCE OF 265.02 FEET;

THENCE N 88° 09' 20" W A DISTANCE OF 10.00 FEET;

THENCE S 3° 11' 54" W A DISTANCE OF 713.15 FEET;

THENCE S 87° 41' 50" E A DISTANCE OF 10.00 FEET;

THENCE S 3° 11' 54" W A DISTANCE OF 138.23 FEET;

THENCE N 87° 41' 50" W A DISTANCE OF 10.00 FEET;

THENCE S 3° 11' 54" W A DISTANCE OF 200.00 FEET, TO THE NORTHERLY MARGIN  
OF S 192<sup>ND</sup> ST.

THENCE S 87° 41' 50" E A DISTANCE OF 30.01 FEET;

THENCE S 3° 11' 54" W A DISTANCE OF 30.01 FEET, TO THE INTERSECTION OF  
SOUTH 192<sup>ND</sup> ST.

AND 28<sup>TH</sup> AVENUE SOUTH, THE INTERSECTION BEING THE SOUTHWEST CORNER  
OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 33;

THENCE N 87° 41' 50" W A DISTANCE OF 262.81 FEET;

THENCE S 0° 00' 00" E A DISTANCE OF 285.00 FEET;

THENCE N 87° 41' 50" W A DISTANCE OF 30.00 FEET;

THENCE S 0° 00' 00" E A DISTANCE OF 32.56 FEET;

THENCE N 87° 41' 50" W A DISTANCE OF 105.00 FEET;

THENCE S 0° 00' 00" E A DISTANCE OF 256.50 FEET;

THENCE N 87° 28' 20" W A DISTANCE OF 264.48 FEET;

## EXHIBIT B

THENCE S 1° 00' 00" E A DISTANCE OF 174.79 FEET TO THE NORTH BOUNDARY LINE OF

LOWES TERRACE AS RECORDED IN VOLUME 49 OF PLATS, PAGE 9 RECORDS OF KING COUNTY;

THENCE EASTERLY ALONG SAID BOUNDARY LINE TO THE WEST MARGIN OF 28<sup>TH</sup> AVE

SOUTH;

THENCE SOUTHERLY ALONG SAID MARGIN TO THE NORTH MARGIN OF SOUTH 200<sup>TH</sup> ST;

THENCE WESTERLY ALONG SAID MARGIN TO THE EAST MARGIN OF 18<sup>TH</sup> AVE SOUTH;

THENCE N 88° 26' 13" W A DISTANCE OF 264.40 FEET TO THE WEST MARGIN OF STATE

HIGHWAY S.R. 509;

THENCE CONTINUING N 88° 26' 13" W A DISTANCE OF 662.69 FEET TO THE WEST LINE OF

SECTION 4, THE CORNER BEING N 3° 59' 14" W A DISTANCE OF 30.14 FEET FROM THE WEST QUARTER CORNER OF SECTION 4;

THENCE CONTINUING WESTERLY ALONG THE NORTH MARGIN OF SOUTH 200<sup>TH</sup> ST. TO THE EAST MARGIN OF 15<sup>TH</sup> AVE SOUTH;

THENCE NORTHERLY ALONG SAID MARGIN TO THE NORTH MARGIN OF SOUTH 198<sup>TH</sup>

STREET;

THENCE WESTERLY ALONG SAID MARGIN TO THE EAST MARGIN OF 13<sup>TH</sup> AVE SOUTH;

THENCE NORTHERLY ALONG SAID MARGIN TO THE NORTH MARGIN OF SOUTH 196<sup>TH</sup> PLACE;

THENCE WESTERLY ALONG SAID MARGIN TO THE SOUTHWEST CORNER OF LOT 6, KOESSNER

ADDITION AS RECORDED IN VOLUME 57 OF PLATS, PAGES 75-77;

THENCE NORTHERLY ALONG THE WEST LOT LINE OF SAID LOT TO THE SOUTH MARGIN OF

SOUTH 196<sup>TH</sup> STREET;

THENCE EASTERLY ALONG SAID MARGIN TO THE WEST MARGIN OF STATE HIGHWAY S.R. 509;

THENCE CONTINUING ALONG SAID MARGIN TO THE WEST LINE OF SECTION 4-22-4;

THENCE NORTHERLY ALONG SAID SECTION LINE TO THE NORTH MARGIN OF SOUTH 188<sup>TH</sup>

STREET;

THENCE WESTERLY ALONG SAID MARGIN TO THE EASTERLY MARGIN OF STATE HIGHWAY

SR 509;

THENCE NORTHWESTERLY ALONG SAID MARGIN TO THE EAST MARGIN OF DES MOINES

MEMORIAL DRIVE;

THENCE NORTHERLY ALONG SAID MARGIN TO THE SOUTH MARGIN OF SOUTH 144<sup>TH</sup> STREET;

THENCE EASTERLY ALONG SAID MARGIN TO THE WEST MARGIN OF 16<sup>TH</sup> AVE SOUTH;

THENCE SOUTHERLY ALONG SAID MARGIN TO THE SOUTH MARGIN OF SOUTH 146<sup>TH</sup> STREET;

## EXHIBIT B

THENCE EASTERLY ALONG SAID MARGIN TO THE CENTERLINE OF 16<sup>TH</sup> AVE  
SOUTH AND THE  
TRUE POINT OF BEGINNING.

EXCEPT:

ALL DEDICATED ROADWAYS AND STATE HIGHWAYS SR 509 AND SR 518 RIGHT OF  
WAYS WITHIN THE ABOVE DESCRIBED BOUNDARY

KING COUNTY ASSESSOR  
PARCEL NUMBER 2123049034  
PARCEL NUMBER 2023049081  
PARCEL NUMBER 2023049283  
PARCEL NUMBER 2023049340  
PARCEL NUMBER 2023049058  
PARCEL NUMBER 2023049110  
PARCEL NUMBER 2023049234  
PARCEL NUMBER 2023049125  
PARCEL NUMBER 2023049229

ALSO:

COMMENCING AT THE SOUTHWEST CORNER OF SECTION 16, TOWNSHIP 23 NORTH,  
RANGE 4 EAST, BEING THE TRUE POINT OF BEGINNING;  
THENCE NORTHERLY ALONG WEST LINE OF SAID SECTION TO THE NORTH  
MARGIN OF  
SOUTH 144<sup>TH</sup> STREET;  
THENCE WESTERLY ALONG SAID MARGIN TO THE EAST MARGIN OF DES MOINES  
MEMORIAL DRIVE;  
THENCE NORTHERLY ALONG SAID MARGIN TO THE SOUTH MARGIN OF SOUTH  
128<sup>TH</sup> ST;  
THENCE EASTERLY TO THE WEST MARGIN OF 18<sup>TH</sup> AVE. SOUTH;  
THENCE SOUTHERLY ALONG SAID MARGIN TO THE SOUTH MARGIN OF SOUTH  
130<sup>TH</sup> ST;  
THENCE EASTERLY ALONG SAID MARGIN TO THE EAST MARGIN OF 20<sup>TH</sup> AVE.  
SOUTH;  
THENCE NORTHERLY ALONG SAID MARGIN TO THE SOUTH MARGIN OF SOUTH  
128<sup>TH</sup> ST;  
THENCE EASTERLY TO THE EAST LINE OF THE WEST HALF OF THE WEST HALF OF  
THE  
NORTHEAST QUARTER OF THE NORTHWEST QUARTER OF SECTION 16;  
THENCE SOUTHERLY ALONG SAID LINE TO THE SOUTHEAST CORNER OF LOT 12,  
J.F.  
ORD'S HOME TRACTS, AS RECORDED IN VOLUME 20 OF PLATS, PAGE 11;  
THENCE EASTERLY ALONG THE SOUTH LINE OF SAID LOT TO THE NORTHEAST  
CORNER  
OF LOT 7 IN SAID PLAT;  
THENCE SOUTHERLY ALONG THE EAST LINE OF SAID LOT TO THE SOUTH MARGIN  
OF  
SOUTH 136<sup>TH</sup> STREET;  
THENCE EASTERLY ALONG SAID MARGIN TO THE WEST MARGIN OF 24<sup>TH</sup> AVE.  
SOUTH;

## EXHIBIT B

THENCE SOUTHERLY ALONG SAID MARGIN TO THE NORTH MARGIN OF SOUTH 146<sup>TH</sup> ST;  
THENCE WESTERLY ALONG SAID MARGIN TO THE WEST LINE OF SECTION 21;  
THENCE NORTHERLY ALONG SAID LINE TO THE NORTHWEST CORNER OF SECTION 21  
AND THE TRUE POINT OF BEGINNING.

EXCEPT;

ALL DEDICATED ROADWAYS LYING WITHIN THE ABOVE DESCRIBED BOUNDARY.

KING COUNTY ACCESSOR  
PARCEL NUMBER 6083000142  
PARCEL NUMBER 6083000122  
PARCEL NUMBER 6083000150  
PARCEL NUMBER 6083000148  
PARCEL NUMBER 6083000146  
PARCEL NUMBER 6083000143  
PARCEL NUMBER 1623049079  
PARCEL NUMBER 1623049407  
PARCEL NUMBER 1623049238  
PARCEL NUMBER 1623049181  
PARCEL NUMBER 2123049121  
PARCEL NUMBER 2123049036  
PARCEL NUMBER 1723049076  
PARCEL NUMBER 1723049178  
PARCEL NUMBER 1723049156

ALSO:

COMMENCING AT THE CENTER OF SECTION 4, TOWNSHIP 22 NORTH, RANGE 4 EAST,  
THENCE SOUTH ALONG SECTION LINE TO THE INTERSECTION WITH THE SOUTH MARGIN OF SOUTH 200<sup>TH</sup> STREET AND THE TRUE POINT OF BEGINNING;

THENCE CONTINUING ALONG SAID SECTION LINE TO THE NORTH QUARTER CORNER OF

SECTION 9, TOWNSHIP 22N, RANGE 4E;

THENCE CONTINUING SOUTH ALONG SECTION LINE TO THE CENTER OF SECTION 9;

THENCE WESTERLY ALONG THE SOUTH LINE OF THE NORTHWEST QUARTER TO THE

WEST QUARTER CORNER;

THENCE NORTHERLY ALONG THE WEST SECTION LINE TO THE SOUTH MARGIN OF 16<sup>TH</sup>

AVE. SOUTH;

THENCE WESTERLY TO THE SOUTHEAST CORNER OF LOT 8 OF CORDELL TRACTS NO. 3, AS

RECORDED IN VOLUME 67, BOOK OF PLATS, PAGE 70;

THENCE NORTHERLY ALONG THE EAST BOUNDARY OF SAID PLAT TO THE NORTHEAST

## EXHIBIT B

CORNER OF LOT 6 OF SAID PLAT AND THE SOUTHWEST MARGIN OF 15<sup>TH</sup> AVE. SOUTH;  
THENCE EASTERLY ALONG SOUTH MARGIN OF 15<sup>TH</sup> AVE. SOUTH TO THE SOUTHWEST  
CORNER OF LOT 5, CORDELL TRACTS, AS RECORDED IN VOLUME 64, BOOK OF PLATS,  
PAGE 70;  
THENCE CONTINUING EASTERLY ALONG SOUTH LINE OF SAID PLAT TO THE SOUTHEAST  
CORNER OF LOT 5;  
THENCE NORTHERLY TO THE NORTHEAST CORNER OF LOT 8 IN SAID PLAT AND THE  
INTERSECTION WITH THE SOUTH MARGIN OF SOUTH 208<sup>TH</sup> STREET;  
THENCE CONTINUING NORTHERLY ALONG THE SAME LINE TO THE NORTH MARGIN OF  
SOUTH 208<sup>TH</sup> STREET;  
THENCE WESTERLY ALONG SAID MARGIN TO THE SOUTHWEST CORNER OF LOT 19,  
BLOCK 81, SEELEY'S ADDITION TO THE CITY OF DES MOINES, AS RECORDED IN VOLUME 15, BOOK OF PLATS, PAGE 59;  
THENCE NORTHERLY ALONG THE WEST LINE OF BLOCK 81 AND CONTINUING NORTH TO THE NORTH MARGIN OF SOUTH 201<sup>ST</sup> STREET;  
THENCE WESTERLY ALONG SAID MARGIN TO THE EAST MARGIN OF 15<sup>TH</sup> AVE. SOUTH;  
THENCE NORTHERLY TO THE SOUTH MARGIN OF SOUTH 200<sup>TH</sup> STREET;  
THENCE EASTERLY ALONG SAID MARGIN TO THE TRUE POINT OF BEGINNING.

EXCEPT:

ALL DEDICATED ROADWAYS AND STATE HIGHWAY S.R.509 RIGHT OF WAY.

KING COUNTY ASSESSOR  
PARCEL NUMBER 0422049031  
PARCEL NUMBER 6663000101  
PARCEL NUMBER 5251100095  
PARCEL NUMBER 0422049032  
PARCEL NUMBER 0422049186  
PARCEL NUMBER 0422049025  
PARCEL NUMBER 0922049006  
PARCEL NUMBER 0922049263  
PARCEL NUMBER 2782400190

ALSO:

A PORTION OF THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 21 AND THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 22, TOWNSHIP 23 NORTH, RANGE 4 EAST W.M. IN THE CITY OF SEA-TAC, KING COUNTY, WASHINGTON DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SECTION 21, THENCE S 89° 24' 10" E  
ALONG THE SOUTH LINE OF SAID SECTION A DISTANCE OF 32.66 FEET

## EXHIBIT B

THENCE N 00° 35' 50" W, PERPENDICULAR TO SAID SOUTH LINE, A DISTANCE OF 30.00 FEET

TO THE NORTH MARGIN OF SOUTH 160<sup>TH</sup> STREET AND THE TRUE POINT OF BEGINNING;

THENCE S 89° 24' 10" W, PARALLEL TO SAID SOUTH LINE A DISTANCE OF 1171.44 FEET TO THE SOUTHEASTERLY MARGIN OF SR 518, THE AIRPORT ACCESS FREEWAY;

THENCE N 33° 37' 38" E ALONG SAID SOUTHEASTERLY MARGIN A DISTANCE OF 157.41

FEET;

THENCE N 43° 33' 02" E A DISTANCE OF 200.05 FEET;

THENCE N 40° 36' 28" E A DISTANCE OF 312.55 FEET;

THENCE N 44° 24' 06" E A DISTANCE OF 449.98 FEET;

THENCE N 52° 17' 49" E A DISTANCE OF 474.38 FEET;

THENCE S 58° 44' 35" E A DISTANCE OF 90.81 FEET TO THE EAST LINE OF SAID SECTION 21;

THENCE S 00° 25' 29" E ALONG THE SAID EAST LINE, A DISTANCE OF 863.26 FEET;

THENCE N 89° 24' 10" E PARALLEL TO THE SOUTH LINE OF SAID SECTION 21, A DISTANCE

OF 37.55 FEET TO THE NORTHWESTERLY MARGIN OF SR 99, INTERNATIONAL BOULEVARD;

THENCE S 18° 44' 29" W ALONG SAID MARGIN, A DISTANCE OF 214.13 FEET TO THE TRUE

POINT OF BEGINNING.

ALSO:

LOTS 1 THROUGH 14 IN THE PLAT OF LEBECK'S ADDITION, A PORTION OF WILDON UNRECORDED IN THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER OF SECTION 28, TOWNSHIP 23 NORTH, RANGE 4 EAST, W.M. IN THE CITY OF SEA-TAC, KING COUNTY, WASHINGTON.

ALSO:

THAT PORTION OF THE EAST HALF OF SECTION 21, TOWNSHIP 23 NORTH, RANGE 4 EAST, W.M., IN KING COUNTY, WASHINGTON DESCRIBED AS FOLLOWS:

PARCEL "A"

BEGINNING AT THE SOUTH QUARTER CORNER OF SECTION 21 TOWNSHIP 23 NORTH, RANGE 4 EAST, W.M.,

THENCE N 1°11'59" E A DISTANCE OF 2,645.25 FEET;

THENCE S 88°48'01" E A DISTANCE OF 183.18 FEET TO THE TRUE POINT OF BEGINNING;

THENCE S 89°12'49" E A DISTANCE OF 1,122.34 FEET;

THENCE S 1°03'30" W A DISTANCE OF 583.45 FEET;

THENCE N 89°07'39" W A DISTANCE OF 68.16 FEET;

THENCE N 00°52'21" E A DISTANCE OF 19.00 FEET;

THENCE N 86°58'55" W A DISTANCE OF 110.34 FEET;

THENCE N 54°03'28" W A DISTANCE OF 52.50 FEET;

THENCE N 61°27'40" W A DISTANCE OF 408.85 FEET;

## EXHIBIT B

THENCE N 63°27'44" W A DISTANCE OF 596.23 FEET;  
THENCE N 1°11'59" E A DISTANCE OF 80.39 FEET TO CLOSE AT THE TRUE POINT OF  
BEGINNING.

SUBJECT TO EASEMENTS, RESERVATIONS, COVENANTS AND RESTRICTIONS OF  
RECORD.

PARCEL "B"

BEGINNING AT THE SOUTH QUARTER CORNER OF SECTION 21, TOWNSHIP 23  
NORTH, RANGE 4 EAST, W.M.;

THENCE N 1°11'59" E A DISTANCE OF 2,773.93 FEET;  
THENCE S 88°48'01" E A DISTANCE OF 30.00 FEET TO THE TRUE POINT OF  
BEGINNING;

THENCE N 1°11'59" E A DISTANCE OF 512.52 FEET TO A POINT OF CURVE;  
THENCE ALONG A 25.00 FEET RADIUS CURVE TO THE RIGHT, THE CENTER OF  
WHICH

BEARS S 88°48'01" E FROM THE PC, AN ARC DISTANCE OF 39.07 FEET THRU A  
CENTRAL

ANGLE OF 89°31'52" TO A POINT OF TANGENCY;

THENCE N 1°11'59" E A DISTANCE OF 15.00 FEET;  
THENCE S 89°16'09" E A DISTANCE OF 271.22 FEET;  
THENCE S 1°29'46" W A DISTANCE OF 15.00 FEET;

THENCE S 89°16'09" E A DISTANCE OF 270.86 FEET TO A POINT OF CURVE;  
THENCE ALONG A 25.00 FEET RADIUS CURVE TO THE RIGHT, THE CENTER OF  
WHICH

BEARS S 0°43'51" W FROM THE PC, AN ARC DISTANCE OF 31.56 FEET THRU A  
CENTRAL

ANGLE OF 90°23'56" TO A POINT OF TANGENCY;

THENCE S 1°07'48" W A DISTANCE OF 284.20 FEET;  
THENCE S 89°16'12" E A DISTANCE OF 25.02 FEET;  
THENCE S 1°07'48" W A DISTANCE OF 303.35 FEET;  
THENCE N 89°12'49" W A DISTANCE OF 482.35 FEET;  
THENCE N 39°49'29" W A DISTANCE OF 91.92 FEET;

THENCE N 89°12'49" W A DISTANCE OF 70.00 FEET TO CLOSE AT THE TRUE POINT  
OF

BEGINNING

SUBJECT TO EASEMENTS, RESERVATIONS, COVENANTS AND RESTRICTIONS OF  
RECORD.

PARCEL "C"

BEGINNING AT THE SOUTH QUARTER CORNER OF SECTION 21, TOWNSHIP 23  
NORTH, RANGE 4 EAST, W.M.,

THENCE N 1°11'59" E A DISTANCE OF 3,396.45 FEET;  
THENCE S 88°48'01" E A DISTANCE OF 30.00 FEET TO THE TRUE POINT OF  
BEGINNING;

## EXHIBIT B

THENCE N 1°11'59" E A DISTANCE OF 553.96 FEET TO A POINT OF CURVE;  
THENCE ALONG A 25.00 FEET RADIUS CURVE TO THE RIGHT, THE CENTER OF WHICH

BEARS S 88°48'01" E FROM THE PC, AN ARC DISTANCE OF 39.01 FEET THRU A CENTRAL

ANGLE OF 89°24'14" TO A POINT OF TANGENCY;

THENCE S 89°23'47" E A DISTANCE OF 597.11 FEET;

THENCE S 1°08'05" W A DISTANCE OF 605.29 FEET;

THENCE N 89°16'09" W A DISTANCE OF 597.32 FEET TO A POINT OF CURVE;

THENCE ALONG A 25.00 FEET RADIUS CURVE TO THE RIGHT, THE CENTER OF WHICH

BEARS N 0°43'51" E FROM THE PC, AN ARC DISTANCE OF 39.48 FEET THRU A CENTRAL

ANGLE OF 90°28'08" TO A CLOSE AT THE TRUE POINT OF BEGINNING.

SUBJECT TO EASEMENTS, RESERVATIONS, COVENANTS AND RESTRICTIONS OF RECORD.

EXCEPT:

THE FOLLOWING DESCRIBED PARCEL IS IN THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER OF SECTION 4, TOWNSHIP 22 NORTH, RANGE 4 EAST, W.M., AND INCLUDES A PORTION OF LOTS 1 THROUGH 6 LOWES TERRACE NO. 4 & 5, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF SAID SECTION 4, SAID EAST CORNER BEING THE "BOSTIAN" CORNER WHICH IS A 3 INCH BRASS DISC STAMPED B91-A;  
THENCE N 87°28'53" W ALONG THE NORTH LINE OF SAID SECTION 4 A DISTANCE OF

1,518.03 FEET;

THENCE S 2°31'07" W 30.00 FEET TO THE TRUE POINT OF BEGINNING, SAID POINT BEING THE INTERSECTION OF THE WEST MARGIN OF 28<sup>TH</sup> AVENUE SOUTH AND THE

SOUTH MARGIN OF SOUTH 192<sup>ND</sup> STREET;

THENCE S 1°07'26" E ALONG THE WEST MARGIN OF 28<sup>TH</sup> AVENUE SOUTH A DISTANCE OF 729.15 FEET;

THENCE N 87°31'55" W 10.02 FEET;

THENCE S 1°07'26" E ALONG THE EAST BOUNDARY OF SAID LOWES TERRACE LOTS 1 AND 2, A DISTANCE OF 76.88 FEET;

THENCE N 87°31'55" W 340.67 FEET;

THENCE N 1°07'26" W 806.34 FEET TO THE SOUTH MARGIN OF SAID SOUTH 192<sup>ND</sup> STREET;

THENCE S 87°28'53" E ALONG SAID SOUTH MARGIN A DISTANCE OF 350.71 FEET TO THE TRUE POINT OF BEGINNING.

THE DESCRIBED AREA BEING 6.46 ACRES OR 281397.6 SQUARE FEET.

EXCEPT:



## EXHIBIT B

THAT PORTION OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 33, TOWNSHIP 23 NORTH, RANGE 4 EAST, W.M., IN KING COUNTY, WASHINGTON DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF THE SOUTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 33, AS ESTABLISHED PURSUANT TO KING COUNTY SUPERIOR COURT CAUSE NUMBER 635681;

THENCE N 3°11'34" E ALONG THE EAST LINE OF SAID SUBDIVISION A DISTANCE OF 640.91

FEET;

THENCE PERPENDICULAR TO SAID EAST LINE, N 86°48'26" W A DISTANCE OF 280.00 FEET;

THENCE S 36°04'38" W A DISTANCE OF 80.00 FEET;

THENCE S 69°48'58" W A DISTANCE OF 280.00 FEET;

THENCE S 15°00'00" E A DISTANCE OF 450.00 FEET;

THENCE S 2°17'50" W, PERPENDICULAR TO THE SOUTH LINE OF SAID SUBDIVISION, A

DISTANCE OF 42.00 FEET TO SAID SOUTH LINE;

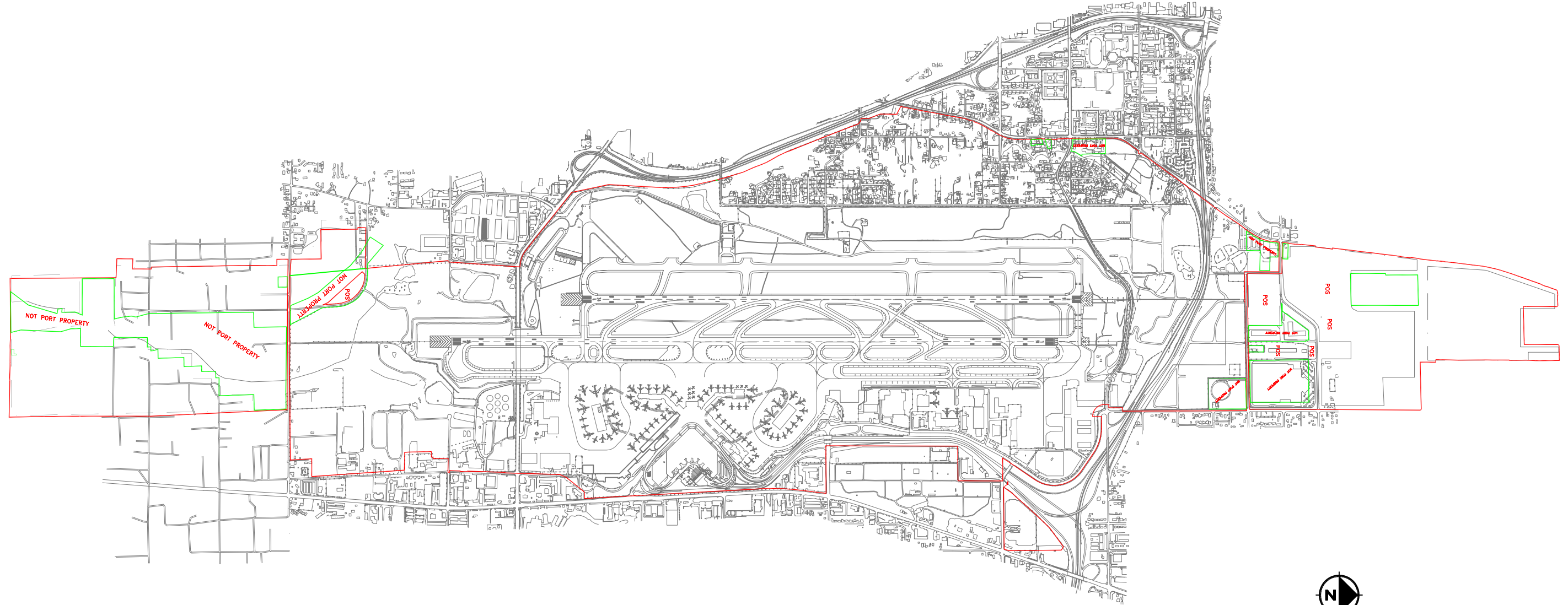
THENCE S 87°42'10" E, ALONG SAID SOUTH LINE, A DISTANCE OF 439.35 FEET TO THE

POINT OF BEGINNING.

EXCEPT THE EAST 80.00 FEET AND THE SOUTH 42.00 FEET THEREOF.

SUBJECT TO AN EASEMENT FOR UNDERGROUND UTILITIES OVER THE NORTH 15.00 FEET OF SAID PARCEL.

# Legal Description



1000 0 1000 2000  
scale feet

 <b>Port of Seattle/Aviation Properties</b> Seattle-Tacoma International Airport	DATE
	SCALE:
	DRAWN BY:
	CHECKED BY:
BUILDING:	EXHIBIT NO.
LEVEL:	
LOCATION:	

**EXHIBIT D**

**SEATTLE-TACOMA INTERNATIONAL AIRPORT  
GATE USE, ASSIGNMENT AND SCHEDULING PROCEDURES**

**PURPOSE:**

The Port and the Air Carriers agree that availability of Common Use and Preferential Use Gate facilities at the Airport is limited and requires frequent coordination among the Port and the Air Carriers. In accordance with the Signatory Lease and Operating Agreement (“SLOA”) the following Gate Use, Assignment and Scheduling Procedures (“Procedures”) are established to govern the use of all gates (Preferential and Common Use) at Seattle-Tacoma International Airport by all Air Carriers.

The terms and conditions of these Procedures are intended to be consistent with SLOA and may be modified only with the approval of the Airport Director, provided that such modifications are consistent with SLOA. Where there is a conflict between the Procedures and SLOA, the provisions of SLOA shall apply.

**EXCLUSION:**

These Procedures are not intended to include procedures for remain overnight (R.O.N.) and remote/hardstand aircraft parking at the Airport. Said procedures will be established in separate documents.

**EFFECTIVE DATE:**

These Procedures shall take effect on \_\_\_\_\_ and shall remain in effect, as may be amended, until rescinded in writing by the Airport Director.

**Section I – Definitions**

The following definitions shall be applicable whenever the specific term is used in these Procedures:

***AAAC*** – means the Airline Airport Affairs Committee established at the Airport by the Signatory Carriers.

***Advance Schedule*** – means an Air Carrier flight schedule submitted prior to, or on, the designated due date for participation in the Advanced Review set forth in Section 5.0 of these Procedures. Advanced Schedule(s) shall include for each flight; the flight number, scheduled arrival and departure time, aircraft type, frequency of operation, city of origin and destination and the preferred Common Use or Preferential Use Gate.

***Air Carrier*** – means a carrier certified by the Secretary of Transportation under 49 U.S.C. § 41102.

***Airport*** – means Seattle-Tacoma International Airport.

***Airport Director*** – means the Managing Director, Aviation Division at the Airport or designee.

***Signatory Lease and Operating Agreement (“SLOA”)*** – means the lease agreement between the Port and certain Air Carriers operating at the Airport, with an expiration date of December 31, 2017.

***CUFAC*** – means the Common Use Facility Advisory Committee as described in Section 4.8 of SLOA.

***Common Use Gate*** – means any Gate not assigned by the Port for Preferential Use by a Signatory Carrier as set forth in Article 4 of SLOA.

***Domestic Flight*** – means an aircraft arriving at the Airport from a city located within the Continental United States of America or from a city located outside of the United States of America designated as a pre-clearance location, and which has passengers and/or cargo on board that do not require clearance by the Federal Inspection Services at the Airport.

***FIS or Federal Inspection Services*** – means those services provided by federal agencies responsible for the inspection of passengers, baggage and cargo entering the United States including, but not limited to, U.S. Customs, Immigration and Naturalization Service, U.S. Department of Agriculture and U.S. Department of Public Health.

***FIS Facilities*** – means the Federal Inspection Services facility at the Airport.

***FIS Flight*** - means an aircraft arriving at the Airport that is not a Domestic Flight, and with passengers and/or cargo on board that require clearance by the Federal Inspection Services at the Airport.

***Gate*** - means the portion of the Airport Terminal comprised of the aircraft parking position, the passenger loading bridges and passenger hold room.

***International Gate*** – means Gates located at the South Satellite of the Airport, which provide aircraft parking with sterile access to the FIS for FIS Flights.

***Period of Use*** – means for arrivals and departures of aircraft that are scheduled to arrive at the Airport and depart directly, the Period of Use shall commence thirty (30) minutes prior to the time of the scheduled arrival. The Period of Use shall terminate upon the actual departure of the aircraft from the Gate or thirty (30) minutes after the scheduled departure time, whichever is the earlier to occur. However, the thirty (30) minute limit shall be extended if the aircraft is being boarded and actively prepared for departure, but only until the completion of the boarding process.

**Port** – means the Port of Seattle.

**Preferential Use Gate** – means a Gate assigned by the Port for Preferential Use by a Signatory Carrier as set forth in Article 4 of SLOA.

**Scheduled Flight** – means a regularly operated flight, as submitted to the Port in an Advanced Schedule, with a reasonable consistent arrival/departure time for a period of not less than four weeks, on a continuous basis to the same destination.

**Scheduled Operation** – means a Scheduled Airline’s operation (arrival or departure) that occurs pursuant to a schedule that is published in the Official Airline Guide (OAG) or any successor publication and that is also made available to the Port at least forty-five (45) days prior to the commencement of such operation.

**Scheduled Seats** – means the average daily number of outbound seats on an Air Carrier’s Scheduled Operations for the month of August of each year, which is computed by dividing total outbound seats on an Air Carrier’s Scheduled Operations for the month of August by thirty-one (31).

**Secondary User** – means an Air Carrier scheduled by the Port to a Preferential Use Gate that is preferentially assigned to another Air Carrier.

**Signatory Air Carrier** – means an Air Carrier that has signed a SLOA agreement with the Port.

**Terminal** – means Gates, Ticket Counters, Baggage Areas, office space, storage areas, concourses, lobbies, VIP lounges, FIS Facility, employee break rooms and Public Areas.

## **Section II – Procedures**

### **1. Authority and Implementation**

**1.1.** The Port shall be responsible for the administration and implementation of these Procedures with input, if any, from the CUFAC, as set forth below.

**1.2.** The Port, working cooperatively with the CUFAC, will use its best efforts to allocate and schedule Gates in a fair manner pursuant to SLOA and these Procedures.

### **2. CUFAC**

**2.1.** The CUFAC shall review and make recommendations to the Port about the numbers of Gates to be reserved for use as Common Use Gates during any year and about the locations within the Terminal of Common Use Gates and Preferential Use Gates. The CUFAC shall consider both the operational efficiency (from the perspectives of the Port, the Signatory Carriers and any non-

Signatory Carriers) and the customer service implications of its recommendations. The CUFAC's recommendations regarding the numbers of Gates to be reserved for use as Common Use Gates shall take into account the expected average number of Scheduled Seats to be accommodated by all Gates at the Airport during the coming year. The final numbers and locations of all Common Use and Preferential Use Gates shall be determined by the Airport Director at his/her sole discretion, after taking account of the recommendations, if any, of the CUFAC.

**2.2.** CUFAC may:

**2.2.1.** Review scheduling plans;

**2.2.2.** Recommend revisions to the Gate Use, Assignment and Scheduling Procedures;

**2.2.3.** Recommend options for the resolution of conflicts in the application of these Procedures and use of Gates; and

**2.2.4.** Provide support to the Port in ensuring the timely submittal of information required under these Procedures by all participating Air Carrier(s).

**2.3.** CUFAC representation will consist of the following:

**2.3.1.** Three Port representatives, one of whom shall serve as chairperson.

**2.3.2.** Four representatives from the Airlines operating at the Airport, including one representative from a foreign-flag Airline and one representative from a regional Airline, as designated by the AAAC-Chair.

**2.3.3.** Air Carrier representation in the CUFAC shall be for a period of twelve (12) months beginning January 1<sup>st</sup> and ending December 31<sup>st</sup> of each calendar year. The AAAC Chair may extend Air Carrier representation for an additional period of time at his/her sole discretion. Where an Air Carrier representative is unable to fulfill his/her responsibilities during the appointed term of service, the AAAC Chair may replace the Air Carrier representative.

**3.** The Port, in its sole discretion, shall designate the appropriate Port staff to perform the following duties:

**3.1** Implement the Gate access priority system as further described in this document;

**3.2** Communicate Gate assignments to all relevant parties;

- 3.3 Maintain Gate use records and statistics;
- 3.4 Receive Advance Schedules;
- 3.5 Evaluate and identify priorities in Gate/flight scheduling;
- 3.6 Identify Gate use conflicts with proposed schedules;
- 3.7 Ensure proper notification and distribution to Air Carriers of these Procedures and associated procedures;
- 3.8 Assist Air Carrier(s) in scheduling flights based on Gate availability;

#### **4. Conflict Resolution**

- 4.1 The Port, working in conjunction with the CUFAC, will use its best efforts to resolve conflicts arising under these Procedures.
- 4.2 In the event conflicts under these Procedures are not resolved by the Port in conjunction with the CUFAC, the Airport Director or designee shall have final authority for conflict resolution.

#### **5. Gate Planning and Review Process**

Gate Planning will be accomplished on a continuous basis using guidelines outlined in this section. The planning process will include a Thirty-Day Review consisting of a review of each month's Scheduled Flight(s) at least thirty (30) days prior to the beginning of the scheduled month to confirm the aircraft activity for that month. The Thirty-Day Review should also serve as a forum for discussing schedule problems of the past and current months. If the Port deems it necessary, a weekly Gate plan may be prepared.

The Port will publish a monthly master schedule for Common Use Gate allocation based on the results of the Thirty-Day Review. The resulting schedule showing all approved use times will be submitted to the Air Carriers at least two weeks prior to the beginning of the scheduled month.

#### **6. Scheduling of Common Use Gates**

- 6.1 For Port Scheduled Common Use Gates, the Port will use the following guidelines for scheduling.
  - 6.1.1. Period of Use. Each category of flight will be allocated time on a Gate according to the number of seats in the aircraft being used to operate the flight as specified in the table below.

Aircraft seats	<u>Period of Use on gate in minutes</u>		
	Turnaround	Arrival Only	Departure Only
400 or greater	180	75	120
200-399	150	60	90
100-199	120	60	75
Less than 100	90	45	45

**6.1.2.** A Turnaround flight with a scheduled ground time in excess of the maximum specified in the table above will be treated as two separate flights, an independent Arrival Only and a separate independent Departure Only.

**6.2** Common Use Gate Priority Scheduling System. The Port will be guided by the following scheduling priorities:

The following flights are listed in descending order of priority. The first four priorities below apply to International Gates:

**6.2.1.** Signatory FIS Flight on the Advance Schedule

**6.2.2.** Non-Signatory FIS Flights on the Advance Schedule

**6.2.3.** Scheduled Signatory FIS Flight not on the Advance Schedule

**6.2.4.** Non Signatory FIS Flight not on the Advance Schedule

**6.2.5.** Signatory Domestic Flight by Air Carrier not leasing any Preferential Gates on the Advance Schedule.

**6.2.6.** Signatory Domestic Flight by Air Carrier leasing Preferential Gates adjacently or nearby on the Advance Schedule.

**6.2.7.** Signatory Domestic Flight by Air Carrier leasing Preferential Gates adjacently or nearby not on the Advance Schedule

**6.2.8.** Signatory Domestic Flight by Air Carrier not leasing any Preferential Gates not on the Advance Schedule

**6.2.10.** Non Signatory Domestic Flights on the Advance Schedule

**6.2.11.** Non Signatory Domestic Flight not on the Advance Schedule.

**6.2.12.** All other flights based on the SLOA agreement accommodation provisions.



**6.2.13.** In all instances, within each level of priority, flights will be prioritized in the following order:

- a) Turnaround Flight
- b) Arrival Only Flight
- c) Departure Only Flight

**6.2.14.** When two or more flights meet the description of any of the individual categories in paragraphs 6.2.1 through 6.2.12, a flight operated by an aircraft with a higher capacity has priority over a flight operated by an aircraft with a lower capacity where capacity is defined by the number of seats and an on-schedule flight has priority over an off-schedule flight. Where two flights are off-schedule, the flight whose estimated time is closest to its scheduled time has priority over the other flight.

## **7. Preferential Use Gates**

**7.1** Air Carriers granted Preferential Use status shall have the right to add additional operations to a Preferential Use Gate during available Periods of Use, after providing the Port with thirty (30) days prior written notice.

**7.2** Should an Air Carrier with Preferential Use status choose to add an operation on its Preferential Use Gate that conflicts with the Scheduled Flight of a Secondary User at a Preferential Use Gate that is not an International Gate, the Air Carrier shall provide the Port with at least sixty (60) days written notice of its intention. If the Port is unable to accommodate the Secondary User at another Gate, the Air Carrier with Preferential Use status will have to modify the Scheduled Flight time consistent with an open Period of Use.

**7.3** The Port has the right to assign Secondary User(s) to Preferential Use Gates and Preferential Use International Gates, in accordance with Article 4 of SLOA. In addition:

**7.3.1.** Secondary Users shall be permitted to remain at the assigned Gate for a complete operation, provided the operation does not exceed the Period of Use.

**7.3.2.** Should the Secondary User's operation exceed the periods of Use, then the Secondary User may be required to vacate the Gate, at its sole expense, upon notification by the Port. The Secondary User may be reassigned to another Gate to complete its operation.

**7.3.3.** Should a Secondary User choose to add operations at the Airport, the Secondary User must provide the Port with a minimum of sixty (60) days' prior written notice, provided that there is time available at the Terminal acceptable to both the Airline and the Port. The Port agrees to use its best efforts, but shall not be obligated, to provide the Secondary

User with an alternate boarding Gate should the preferred gate(s) be unavailable for the desired Period of Use.

## **8. General Gate Use and Scheduling Procedures**

**8.1** The Port shall implement the Gate assignments for Common Use Gates on a day-to-day basis.

**8.2** Unless previously agreed by the affected Air Carriers with concurrence from the Port, other aircraft must not be scheduled to use any portion of an Air Carrier's Period of Use.

**8.3** An early arrival may enter an assigned Gate at any time prior to scheduled arrival, provided the preceding aircraft assigned to that Gate has departed and the Gate is available.

**8.4** Air Carriers will report their Estimated Time of Arrival to the Port not less than one hour following the scheduled departure from the origin city, and not less than one hour prior to its scheduled arrival. Status of delayed flights thereafter will be reported to the Port in thirty (30) minute increments. Flights with duration of less than one hour shall report Estimated Time of Arrival as soon as possible after departure.

**8.5** Air Carriers shall advise Port if a departing aircraft is delayed more than fifteen (15) minutes from its scheduled departure. The Port may require an Air Carrier to tow-off a delayed aircraft from a Gate if there is no other reasonable way to accommodate another Scheduled Flight.

**8.6** In the event of disrupted airfield operations, an aircraft with a pre-approved extended ground time may be required to be towed off a Gate to an alternative parking position, if the Port finds no alternative means to accommodate another Scheduled Flight.

**8.7** The Port will attempt to re-assign an aircraft, which lost priority due to a delay, to another Common Use or Preferential Use Gate at the first available time, at the highest level of priority that is consistent with the original priority level of the flight, provided, however, that such reassignment will not displace an Air Carrier operating on schedule. Reassignment of a pre-assigned Common Use Gate may be required to minimize the effects of the delayed flight. The reassignment of on-time flights will be limited to only those times when a higher priority flight is delayed or, as agreed upon by the affected carriers. The Port will attempt to re-assign an aircraft to a Gate in close proximity to the Air Carrier's normal operational area.

## **9. Changes and Revisions**

The CUFAC may recommend changes to the terms and conditions of the Gate Use, Assignment and Scheduling Procedures contained herein. Such recommended changes can be approved and effected only in writing by the Airport Director or designee, at its sole discretion. All users will be notified in writing of any changes or revisions at least 30 days prior to implementation.

## **10. Training and Equipment Use**

All personnel operating Port owned gate equipment, must have received appropriate training in the operations of said equipment, before attempting use. Training records on all employees operating Port owned equipment are required to be forwarded to the Port designee. It is the responsibility of the Air Carrier to ensure compliance with this provision.

**EXHIBIT E**  
**SEA-TAC INTERNATIONAL AIRPORT**  
**POST REALIGNMENT 2013 LEASED GATES**  
**EFFECTIVE JUNE 2013**

	Gate	Carrier	Comments
1	A1	US	USAirways
2	A2	US	USAirways
3	A3	POS	Port of Seattle
4	A4	POS	Port of Seattle
5	A5	UA	United
6	A6	UA	United
7	A7	UA	United
8	A8	UA	United
9	A9	UA	United
10	A10	UA	United
11	A11	UA	United
12	A12	UA	United
13	A13	POS	Port of Seattle
14	A14	AC	Air Canada Jazz

1	B1	POS	Port of Seattle
2	B3	F9	Frontier
3	B5	DL	Delta
4	B6	WN	Southwest
5	B7	POS	Port of Seattle
6	B8	WN	Southwest
7	B9	VX	Virgin America
8	B10	WN	Southwest
9	B11	POS	Port of Seattle
10	B12	WN	Southwest
11	B14	WN	Southwest
12	B15	POS	Port of Seattle

1	C2	QX	Horizon
2	C4	QX	Horizon
3	C6	QX	Horizon
4	C8	QX	Horizon
5	C9	AS	Alaska
6	C10	QX	Horizon
7	C11	AS	Alaska
8	C12	QX	Horizon
9	C14	QX	Horizon
10	C15	AS	Alaska
11	C16	AS	Alaska
12	C17	AS	Alaska
13	C18	AS	Alaska
14	C20	AS	Alaska

	Gate	Carrier	Comments
1	D1	AS	Alaska
2	D2	AS	Alaska
3	D3	AS	Alaska
4	D4	POS	Port of Seattle
5	D5	B6	Jet Blue
6	D7	AA	American
7	D8	AA	American
8	D9	POS	Port of Seattle
9	D10	AS	Alaska
10	D11	AS	Alaska

1	N1	AS	Alaska
2	N2	AS	Alaska
3	N3	AS	Alaska
4	N6	AS	Alaska
5	N7	AS	Alaska
6	N8	AS	Alaska
7	N9	AS	Alaska
8	N10	AS	Alaska
9	N11	AS	Alaska
10	N12	QX	Horizon
11	N13	QX	Horizon
12	N14	AS	Alaska
13	N15	AS	Alaska
14	N16	AS	Alaska

1	S1	DL	Delta
2	S2	DL	Delta
3	S3	DL	Delta
4	S4	DL	Delta
5	S5	DL	Delta
6	S6	QX	Horizon
7	S7	DL	Delta
8	S8	DL	Delta
9	S9	DL	Delta
10	S10	POS	Port of Seattle
11	S11	POS	Port of Seattle
12	S12	POS	Port of Seattle
13	S15	POS	Port of Seattle
14	S16	POS	Port of Seattle

**NOTES:** B1 added, D6 removed

**Gate Count            78**

## Exhibit F

### Seattle-Tacoma International Airport Approved Capital Improvement Projects

CIP #	CIP Description	Budget (\$000)	Est. Remaining Spending as of 1/1/2013
C001760	New Runway Land Acquisition	178,692	3,875
C100172	Third Runway Construction	669,887	992
C200013/93	Standard Family Insulation	39,548	18,977
C800034	N. Expressway Relocation	102,214	1,136
C800026	Stormwater Piper Liner	2,784	2,262
C200007	Highline School District Insulation	101,797	46,339
C200048	Home Insulation Retrofit	5,344	1,987
C102163	MT 100% Bag Screen Design	218,985	153
SLOA 1 Subtotal		1,319,251	75,721
C101117	FIMS Phase II	8,220	5,133
C102573	Airfield Pavement Replacement	30,212	19,232
C200042	Noise - Community College - budget increase	21,228	26,029
C800019	Loading Bridge Utilities	11,744	9,515
C800042	ARFF Station Updates	4,572	4,498
C800105	Airport Owned Gate Infrastructure	6,395	739
C800112	RW 16C-34C Panel Replacement	3,462	130
C800154	Tenant Reimbursement	4,710	3,546
C800168	C60 - C61 BHS Modifications	10,969	7,283
C800170	C1 to C88 Baggage Connection	2,673	1
C800237	Renew/Replace 42 Escalators	35,611	5,391
C800238	Central Plant Preconditioned Air	46,635	6,667
C800247	Cargo 2 West Cargo Hardstand	11,830	11,685
C800251	Vertical Conveyance Modernization, Aero Ph 1	13,502	13,034
C800254	Aircraft RON Parking USPS Site	46,040	39,379
C800268	Stage 2 Mech Energy Implementation	2,853	2,559
C800276	CUSE Expansion	2,581	1,221
C800335	GSE Electrical Charging Station	30,198	27,338
C800360	Roof Replacement Program - Phase I	1,660	3
C800374	Claim Device 14 & Lower Inbound Replacement	2,900	1,627
C800375	Elevator/Escalator Moderization Program	8,834	8,722
C800376	SSAT HVAC, Lights, Ceiling Replacement	34,011	33,405
C800390	Cargo 6 Enhancements	6,428	6,342
C800459	2011-2012 Roof Replacement	4,666	4,161
C800490	New Window Wall at Ticket Zone 1	4,810	4,274
C800491	Convert Ticket Zone 2 Pushback	3,983	3,982
C800492	Convert Ticket Zone 3 Flow-through	13,136	12,610
C800547	NS Concourse C Vertical Circulation and STS Lobby	19,300	19,201
C800555	NS Refurbish Baggage Systems	22,000	21,994
C800556	NS NSAT Renovations & NSTS Lobbies	33,500	33,455
SLOA 2 Subtotal		448,664	333,156

## Exhibit F

### Seattle-Tacoma International Airport Approved Capital Improvement Projects

<b>CIP #</b>	<b>CIP Description</b>	<b>Budget (\$000)</b>	<b>Est. Remaining Spending as of 1/1/2013</b>
Multiple	Security Exit lane Breach Control	7,077	6,995
C800234	Feeder 101 Taps	2,706	2,612
C800586	Radio System Upgrade	6,750	6,749
C800615	USO & Mezz. Utility Preparations	2,666	2,545
C800388	Security Checkpoint Automated Wait-Time	3,600	3,496
C800550	Concourse D Roof	3,727	3,253
C800583	International Arrivals Facility, Ph 1	300,000	299,998
C800495	Facility Monitoring (baggage and bridge jams)	3,431	3,357
C800612	Baggage Optimization, Ph 1 (see note 2)	40,000	40,000
Projects Approved in 2013 Subtotal		369,957	369,005

Notes:

1. Port Small Purchases and Small Projects (currently less than \$300k each) are not listed above.

2. The entire scope of the optimization project is not fully defined. The overall budget over 10 years currently totals between \$286 and \$317 million with TSA providing between \$50 and \$100 million of total. The \$40 million above comprises spending for phase 1 to carry the project through mid-2015.

# CAPITAL ASSETS: TANGIBLE ASSETS

**AC-8b as of 09/30/2010 (UPDATED: 6/1/2012; 7/1/2011)**

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## I. STATEMENT OF THE POLICY

See **AC-5a** for overall scope and applicability for AC policy series. The purpose of this policy is to establish standards for capitalization of major expenses related to the acquisition, construction, and modification of tangible capital assets, and for the depreciation of such assets. This policy does not cover accounting treatment of intangible capital assets. For capitalization policy of intangible assets, refer to AC-8d, Intangible Asset Policy. This policy seeks to promote consistent and proper accounting for the Port assets and expenses in conformity with Generally Accepted Accounting Principles (GAAP). This policy also seeks to define those costs that are to be capitalized to properly reflect the costs of the asset during its useful life.

### Authority

- **GASB Statement No. 34**, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments
- **GASB Statement No. 42**, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries
- **GASB Statement No. 51**, Accounting and Financial Reporting for Intangible Assets
- **GASB Concepts Statement No. 4**, Elements of Financial Statements
- **GASB Staff Comprehensive Implementation Guidance**, Chapter 7
- **FASB Accounting Standards Codification (ASC)**

**NOTE:** Upon adoption of the policies and procedures in this Series, each department should ensure proper segregation of duties are in place, i.e. no one person should be able to provide transaction authorization, maintain recordkeeping and have custody of the related assets. Please refer to AC-5a, paragraph .03.

**Control Objective:** Financial information is complete and appropriately presented in compliance with prescribed accounting standards, and all information that is necessary for fair presentation and compliance with professional standards or legal requirements is disclosed.

### Scope

.01 This policy does not apply to assets arising from any one of the following conditions:

- a) Assets acquired or created primarily for the purpose of directly obtaining income or profit (i.e. for sale) instead of being used for Port's operation purposes<sup>1</sup>.

- b) Assets in a monetary form, or representing a claim/right to assets in a monetary form, in which case is recorded as cash/investment or receivables/prepaid expenses as appropriate<sup>ii</sup>.
- c) Goodwill created through the combination of the Port and another entity<sup>i</sup>.

### About - Capital assets

- .02 Capital assets include both tangible and intangible assets. A capital asset must be **identifiable**, which is defined as when one of the following conditions is met<sup>iii</sup>.
- a) An asset is capable of being separated from the Port and sold, transferred, licensed, rented or exchanged individually or together with a related contract, asset or liability.
  - b) An asset arises from contractual or other legal rights, regardless of whether those rights are transferrable or separable from the Port or from other rights and obligations.

### Capitalization threshold for new capital assets acquisition (Note: this threshold is the same for tangible and intangible assets)

- .03 Acquisition of new capital assets should not include additions which are not independent, improvements, repairs, or replacements to existing capital assets. See paragraph .56 to .58 for capitalization criteria regarding improvement projects.
- .04 A capital project must be set up to charge against construction work-in-process (CWIP) account when ALL of the following criteria must be met.
- a) The Port has **ownership**<sup>iv</sup> of the capital asset (i.e. the Port has control over the asset's use), regardless of whether the assets are fully or partially financed by other third parties, such as tenants, grant awards including when the grantor retains a reversionary interest<sup>v</sup> in the asset. Only when ownership cannot be established, the ownership criteria are met when the Port is responsible for managing the asset<sup>vi</sup>.
  - b) The capital asset has a **useful life of 3-years or more**.
  - c) The total capital **project costs must be \$20,000 or more**, which may include multiple components (as discussed in paragraph .08 below) to form a larger **system asset** (see criteria set forth in paragraph .05) to be placed in service. All costs that are prohibited for capitalization stated in paragraph .39 and .40 in this policy and in paragraph .20 and .21 in the AC-8d, Intangible Assets Policy must be excluded from the capital project costs to qualify for capitalization threshold.

Projects that do not meet the capitalization threshold must be recorded as operating expense.



.05 A group of components is considered a system asset when ALL of the following criteria are met:

- It is part of a group of interdependent items that form a system
- It is intended to be used with other components over the life of the system asset
- It is needed to make the system usable for its intended purpose

<b>Examples qualified for system asset</b>	<b>Examples NOT qualified for system asset</b>
Signage throughout passenger terminal	Updating water meters in multiple terminals which are not linked through a shared software/control system (i.e. not interdependent)
Common use equipment and casework at terminal ticket and gate hold-room counters (CUSE system)	Bulk purchase of a fleet of vehicles or laptops for multiple departments (i.e. not interdependent)
Camera surveillance security system across multiple terminals linked through a shared software	Construction of a parking area requiring landscaping and electrical work (i.e. not over the same estimated useful life)
200 Chairs designed for waiting hall area in a terminal	

.06 “Bundling or grouping” of assets to meet the \$20,000 capital project threshold is prohibited unless the group of assets meet the criteria of a system asset stated in paragraph .05.

**Componentization of capital asset**

.07 The Port must report its capital assets separately by its major component on its annual financial statements even though their costs are accumulated in one or multiple capital projects.

.08 Each major component within capital project(s) MUST be broken out when one of the following criteria is met.

- a) Has a separate depreciable life at least 3 years apart (e.g. vehicle with 6 years life and electrical system with 50 years life). Please refer to paragraph .62 for factors determining estimated useful lives of an asset. A group of assets meeting the “system asset” criteria stated in paragraph .05 is considered as one component as these assets shared the same depreciable life.
- b) Can be separately identifiable for impairment assessment (e.g. the restroom within a building) or future disposal (e.g. the mobile generator intended to provide power to a building)<sup>vii</sup>. Please refer to AC-8e, Impairment and Disposition Policy.

.09 Due to the complexity of each capital project and the sheer volume and variation in related components of assets created within each capital project, asset components should be identified based on the default structure of major asset components similar in structure to that listed in Schedule A and by its location of the Port’s facility. Due care and professional judgments must be exercised to ensure accuracy and consistency of reporting component assets to prevent extreme asset record (i.e. over granularity or too high level of asset information). For example, a HVAC system may be broken out into the following components.

Capital Project		Components	Subcomponent (Optional)	Location	Sublocation (Optional)
A	\$10M, HVAC System, South Satellite Terminal	1 - HVAC	10 - Air handler system, Steam system, Cooling system...etc.	South Satellite	Level 1 and Level 2
B	\$400K, HVAC System, Terminal 5	1 - HVAC	N/A	Terminal 5	Building 1

.10 Component (e.g. 200 chairs used in the cruise terminal waiting hall) meeting the definition of system assets stated in paragraph .05 should be recorded as ONE asset with the detail listing of the assets (e.g. quantities information) in the Asset Management System.

.11 Items not meeting the criteria stated in paragraph .08 should be considered part of the larger tangible asset as the larger asset is inoperable without such items based on the integral relationship of the items to the system asset. For example, a \$265,000 storm water system consists of \$15,000 of catch basins, and \$250,000 of storm drains. In this example, the catch basins share the same depreciable life with the storm drains and it is unlikely to be impaired or disposed separately from the storm drains. However, the storm water system is inoperable without the catch basins. Thus, the catch basins are considered to be part of the storm water system.

.12 Items meeting the criteria stated in paragraph .08 but the components identified are below \$20,000, such component should be expensed. For example, a \$200,000 electrical system project consists of two components, i.e. (1) electrical system that has a default estimated useful life of 50 years for \$185,000 and (2) equipment that has a default estimated useful life of 10 years for \$15,000. In this example, the \$15,000 equipment should be expensed as the electrical system is operable without the equipment.

.13 The following are definitions of common major components of tangible assets in the Port.

a) **Land:** Land is *real property*. Each parcel of land the Port owns should be recorded as a separate asset with the square footage and parcel ID per the associated King County's record. Land costs should include the following.

- Land's initial costs, and legal fees as well as title fee
- Land's assessment costs such as surveying fees, and appraisal fee
- Land preparation costs (see paragraph .32a)

b) **Land improvements:** Land improvements consist of depreciable betterments, other than buildings. Land improvements that have limited lives must be capitalized separately from the land and depreciated over their expected useful lives. Examples include:

- Site preparation costs (see paragraph .32b)
- Retaining walls
- Parking lots
- Fencing or gates
- Landscaping

c) **Infrastructure:** Infrastructure assets are stationary in nature and normally can be preserved for a significantly greater number of years than most other assets<sup>viii</sup>. Buildings should not be considered as infrastructure assets unless they are an ancillary part of the infrastructure assets such as water pumping stations associated with water systems<sup>ix</sup>. Other examples include:

- Roads: yard areas, entrance, driveway, airport apron, airport taxiway, airport runway, intersection, and trackage
- Utility systems: Heating, ventilation & air-conditioning (HVAC), boiler, electrical system, gas system, industrial waste system, sanitary sewer system, storm sewer system, water system, irrigation system, storm water system including piping, pond cover, pond liner, pump station, treatment facility, control valves, vault
- Other structures including dolphin, fender, floats, dock, pier, breakwater, sheet piling, subway, tunnel, satellite transit, baggage system, central control system, shipping gallery, liquid storage tank, bulkhead, wall, bollards, grain silo/workhouse

d) **Buildings:** Buildings are permanent structures which provide workplace, storage space, etc. Examples include:

- Wharfs, marinas
- Administrative building
- Office, crash & rescue station, passenger terminal, parking garage
- Warehouse, transit shed

Major components within buildings must be accounted for as separate asset components due to the criteria stated in paragraph .08. Examples include:

- Lighting
- Floor covering
- Communication system
- Roofs
- Restrooms
- Windows and Doors
- Elevators
- Escalators

Signage, fixed furniture, or works of art that are permanently affixed to a building include, but are not limited to, items such as murals, bronze plaques, ornate finishes, millwork, marble and stonework, plaster work, should be recorded as part of the building and depreciated over the life of the building.

e) **Furnishings, equipment, vehicles:** This represents moveable assets. Examples of moveable assets include:

- Office equipment, survey equipment, photography equipment
- Computer equipment, server, telecommunication equipment
- Boating equipment, breasting barges, camels, cleats, cranes, gangway, passenger loading bridge, conveyors
- Shop tools, power tools, firearms
- Furniture
- Rolling stock such as a car, truck, mower, scooter, car loader, snow plow, sweeper, trailer

Fixed equipment that is permanently attached to a building, which cannot be removed without the need for costly or extensive repairs to the structure to make the space useable for other purpose, should be classified as building or building components.

f) **Leasehold/Tenant improvements (TI)**

- **Port as Lessor:** This represents a contractual understanding between the Port as a lessor and its tenant as a lessee that the Port grants the tenant the right to use or improve specific Port property for a specific period of time. Accounting treatment of such improvement to the Port’s property depends on the following fact pattern (as long as the TI asset meets the criteria outlined in paragraph .04).

	Ownership of TI asset	Construction performed by	Reimbursed/ Paid by	Accounting treatment		
				Capital Asset	Revenue	Expense
I	Port	Port	Port	Yes	No	No
II	Port	Tenant	Port	Yes	No	No
III	Port	Port	Tenant	Yes	Capital Contribution	No
IV	Tenant	Tenant	Tenant	No	No	No
V	Tenant	Tenant	Port	No	Reduction to revenue	No
VI	Tenant	Port	Tenant	No	Non-operating	Non-operating

The Port must be notified by the tenant for the specific assets constructed with the associated values to qualify for capitalization. See paragraph .63 for related discussion regarding depreciation.

- **Port as Lessee:** This represents a contractual understanding between the Port as a lessee and its Lessor pursuant to an operating lease where the Port makes improvements to a non-Port facility. See paragraph .62g for related discussion regarding depreciation.

g) **Movable collections of works of art, historical treasures:** This represents assets of historical, natural, cultural, educational significance, or artistic importance that are not permanently affixed to a building.

**Valuation of tangible assets**

- .14 Valuation of tangible assets is different depending on the acquisition method of the assets.
- .15 For assets acquired through direct purchase and construction, tangible assets must be reported at historical (i.e. original) costs net of discounts at the time of acquisition<sup>x</sup>.
  - a) **Purchase:** Acquired from a third party, which most often requires more than minimal incremental effort on the part of the Port to place the asset in service.
  - b) **Construction:** Constructed by the Port, or an entity contracted by the Port.

- .16 For assets acquired through nonexchange transactions which include donations, grants, and contributions, the tangible assets must be reported at their estimated fair value at the time of acquisition<sup>x</sup>. Related revenue must be reported as capital contributions.
- a) **Donation:** Transfer from private companies or other governmental agencies with or without nominal payment e.g.\$1
  - b) **Grants:** Acquisition costs of the asset are fully or partially funded by federal, state or other local agencies grant awards
  - c) **Contributions:** Acquisition costs of the asset are fully or partially funded by third parties such as tenants

- .17 For assets acquired through non-cash exchange transactions, the tangible assets received must be reported at their estimated fair value at the time of exchange while the tangible assets relinquished are removed at net book value (NBV) (i.e. historical cost net of accumulated depreciation). The difference between the assets acquired and the assets relinquished must be reported as gain/loss on disposal of asset<sup>xi</sup>.

- a) **Non-cash exchange:** Port's asset is given up in exchange for another entity's asset, e.g. land swap, regardless of whether the assets are similar or not.

*Note: For assets acquired through a non-cash exchange resulting in a gain on disposal of asset, the newly acquired asset must be reported with the original fund code along with the relinquished asset's NBV and a new fund code which identifies the "reinvestment" of the original fund code to make up the remaining estimated fair value of the asset.*

- .18 For assets acquired through trade-in, the tangible asset acquired must be reported at the NBV of the asset surrendered, plus any additional monetary consideration provided to the seller at the time of exchange. The tangible asset surrendered must be removed from the Asset Management System at its NBV.

- .19 For assets acquired through capital lease arrangement, the tangible assets leased net of interest costs must be reported as capital assets<sup>xii</sup> at the inception of the lease and a lease obligation (liability) must be set up for periodic lease payment to charge against. Related financing costs implicitly or explicitly charged in the lease agreement must be recorded as interest expense.

- a) **Capital lease:** When a lease agreement meets one of the following criteria, the Port must classify it as a capital lease<sup>xiii</sup>.

- The lease transfers ownership of the asset to the Port automatically at the end of the lease term
- The lease contains a bargain purchase option, which is a provision allowing the Port to purchase the asset below salvage value
- The lease term is equal to or greater than 75% of the estimated useful life of the leased asset (and at least has a 3-years duration)

- The present value of the minimum lease payments equal or exceed 90% of the fair value of the leased asset (and at least equal to or exceeds \$20,000). Minimum lease payments generally equal the rental payments excluding executor costs such as maintenance and insurance.

### **Capital Project Setup – Roles and Responsibilities**

.20 A project maybe setup with one or more assets depending upon Commission authorization of the scope and corresponding budget. Capital projects may be specific to a department or pertain to the Port as a whole. If the project is budgeted to cost less than \$20,000, project costs should be expensed as incurred. If the project is budgeted to total eligible capital costs equal to or more than \$20,000, it needs to be approved in accordance with current Resolution, and in full coordination with the following groups which work together to ensure that proper funding is secured and costs are monitored:

- Divisional/Corporate Finance & Budget (F&B): manages the capital budgeting and funding
- Project Manager: initiate project setup, manages capital projects and monitors costs charged to the project accurately, develop preliminary and final asset plan
- Accounting and Financial Reporting (AFR) Capital Services: monitor capital accounting policy, ensures that costs charged to capital projects are reasonable and reported properly in the Port’s financial statements
- Divisional/ Corporate Project Sponsor: determine assets being retired or demolished as part of creating new asset, review the reasonableness of asset plan

.21 Authorized Project Management Controls staff must, working with AFR Capital Services, establish a new work project ID to accurately capture capitalizable costs in the CWIP account with a required Preliminary Project Information & Checklist, appropriate project type, and funding sources.

.22 Preliminary Project Information & Checklist should include the following.

- Capitalization threshold is met
- Method(s) of acquisition
- A brief description of the capital project
- A list of capital assets planned to be acquired by major class
- Estimated in-use date of the capital assets
- Location of the capital assets
- Department ID (Org) of the asset sponsor
- Sponsor’s Class number

- .23 An appropriate project type must be assigned to the capital project based on its nature.
- INSUL – Noise insulation project to obtain air rights
  - RELOC – Relocation of existing homeowners to obtain air rights
  - ACQ – Acquisition of real properties
  - CONST – Major construction
  - CRANE – Purchase of crane
  - EQUIP – Purchase of movable assets such as equipments, furniture, computers, and servers, this project type may also known as “small capital” project
  - IT – Purchase or internally generated software
  - PLAN – Planning of the capital project that meet preacquisition costs criteria stated in paragraph .29, such as design
  - SMWKS – Small works which may also known as “small jobs” project
  - WHEEL – Rolling stock
- .24 An appropriate fund code must be assigned to the capital project. This should be determined by Divisional/ Corporate F&B.
- .25 Authorized Project Manager or Project Management Controls staff, with the assistance of Construction Management, must submit a preliminary asset plan to AFR Capital Services once “Design” phase of the construction project is completed to identify the preliminary asset components and their estimated value.

### **Capitalizable Costs Associated with all tangible assets**

- .26 Capital projects that meet the criteria stated in paragraph .04 are recorded as tangible assets. Capital projects should only include capitalizable costs that are directly and specifically attributable to the acquisition of tangible asset regardless of the method of acquisition discussed in paragraph .14 to .19 above. Typically, there are four kinds of project costs associated with a capital project.
- a) Preliminary costs
  - b) Preacquisition costs
  - c) Acquisition or construction costs
  - d) Ancillary costs
- .27 Capitalizable costs (preacquisition, acquisition, ancillary costs) may include the following:
- a) External direct costs (net of discounts/rebate), such as labor and materials
  - b) Internal labor and related benefit costs that are directly related to the completion of the capital project and are specifically identifiable to project(s). Example of these costs include: charges for a Port employee performing in the capacity of an architect, engineer, construction manager, construction worker (plumber, electrician, carpenter, etc.), Project Manager, construction contracts administrator.



- c) Internal indirect costs (i.e. overhead costs), which are identifiable in the accounting records and benefit more than one specific capital project. See AC-8g Overhead Policy.
- d) Interest costs in accordance with AC-8c, Capitalization Interest Policy

*Preliminary costs*

.28 Preliminary costs are incurred during the initial stage of a construction or acquisition project during which various alternatives for acquisition or construction of tangible asset are initially explored. Feasibility studies often occur during this stage. Costs incurred during preliminary stage must be expensed as incurred as such costs are not directly identifiable to specific assets.

*Preacquisition costs*

- .29 Preacquisition costs are very similar to the preliminary costs except they occur when all the following conditions are met<sup>xiv</sup>.
- a) The costs are directly identifiable with a specific asset. The following are some indicators to meet this criterion.
    - The specific objective of a project, including its purpose or its function of the expected asset, has been determined.
    - The nature of the service capacity that is expected to be provided by the tangible asset, at a minimum at a broad qualitative level, has been determined.
  - b) The costs would be capitalized if the asset is already acquired.
  - c) The acquisition of the asset or an option to acquire the asset is probable (more than 50% chance of likelihood). The following are some indicators to meet this criterion.
    - The technical or technological feasibility of successfully completing the project has been demonstrated.
    - Efforts made to secure the Port's legal rights to the results of the project
    - Internal assignments or the hiring of specific personnel to work on the project
    - Reference to the project in strategic planning documents
  - d) The Port must be actively seeking to acquire the asset.
  - e) The Port has the ability to finance or obtain financing for the acquisition
    - Budgetary commitments for funding the project
    - Commitments with external parties to assist in the creation of the tangible asset
  - f) There is no indication that the asset is not available for sale.

Examples of preacquisition costs are zoning costs, legal fees, street vacation required by other local government/agency. Preacquisition costs must be charged to operating expenses during the fiscal year when one or more of the criteria above are not met, such as abandonment or stoppage of the capital project.

### *Acquisition or construction costs*

- .30 Acquisition or construction costs are capitalizable costs as those costs are directly and clearly associated with acquiring the ownership of the tangible asset or the construction of the tangible assets. Example of acquisition costs are purchase price of equipment, construction costs, fair value of the donated assets.

### *Ancillary costs*

- .31 Ancillary costs are necessary costs required to place the asset in its intended location and condition for use (i.e. the capital project cannot be completed without such costs). Examples of ancillary costs are freight charges, handling costs, sales taxes, insurance, and installation costs.
- .32 Treatment of costs, e.g. clearing, excavation, filling, grading and leveling, incurred for land/site preparation depends on the intention.
- a) Cost associated with demolition/removal of old buildings or structures (generally takes place within one year from acquisition of the land or is delayed, but the delay is beyond the Port's control) where land is newly purchased with the intention of constructing a new building should be capitalized as part of the land asset. This treatment should be applied to converting a terminal, or other site, from one purpose to another when land preparation is required to be capitalized as part of the land asset.
  - b) Cost associated with demolition/removal of an existing building or structures (generally takes place within one year from demolition to new construction or is delayed, but the delay is beyond the Port's control) with the intention of constructing a new building or structure should be capitalized as part of the new structure asset and depreciated over the expected useful life of newly created structure.
- .33 Interim structure costs required during acquisition or construction of new tangible asset should be capitalized to the new tangible asset and depreciated over its estimated useful life. For example, construction or acquisition of an interim/temporary baggage system during the time when the old system was demolished and the new system is being built.
- .34 Treatment of dredging costs depends on its intention.
- a) Dredging to a different depth required for changing the purpose of the berth/terminal (e.g. ability to handle larger vessel size) should be capitalized as land preparation with indefinite life.
  - b) Dredging required when constructing an adjacent asset, such as seawall, should be capitalized to the new asset and depreciated over the expected useful life of newly created asset.
  - c) Dredging incurred without changing the purpose of the asset or not required for creating a new asset should be expense as incurred (see paragraph .40).

.35 Treatment of environmental costs depends on the nature and the purpose of the costs.

	<b>Environmental Costs</b>	<b>Primary Purpose</b>	<b>Apply policy</b>	<b>Accounting Treatment</b>
I	Remediation	Resulted from capital construction	AC-9	Capitalizable costs that serve both purpose.  Environmental expense/reserve incremental costs arises due to the need of environmental remediation.
II	Remediation	Resulted from clean up effort	AC-9	Primary purpose is for remediation and meet capitalization criteria under AC-9. Remediation costs are capitalizable.
				Primary purpose is for remediation and not meet capitalization criteria under AC-9. Remediation costs should be environmental expense.
III	Not related to remediation	Resulted from capital project	AC-8b	Capitalizable when meet capitalization criteria under AC-8b, otherwise expense

### **Determining Capitalizable Costs in Multiple-Element Arrangements**

.36 A bundle of goods and services may be procured or acquired under one agreement, such as construction/assembling services, installation services, machinery, equipment, training, and warranties. The costs of each of element, if not apparent within an agreement (i.e. one bundled price), must be assigned with an allocated value by estimation. The estimates should be based on reasonable estimates of their fair value of the elements in the contract, not necessarily separate prices stated within the contract for each element.

.37 Additionally, any free services received, for example, free training and warranty services that equal or exceed the lesser of (a) \$10,000 in value if purchase separately per unit or (b) 25% discount of the contract price, the cost of each free element must assigned an allocated value by estimation. The estimates should be based on reasonable estimates of their fair value of the elements in the contract, not necessarily separate prices stated within the contract for each element.

.38 Recognition of capitalizable costs must be applied based on the nature of the activity or cost elements. Based on the example stated in paragraph .37, training and warranties services must be expensed.

## Non-Capitalizable Costs Associated with all tangible assets

- .39 Costs that are not directly associated with the acquisition, development and construction of a tangible asset, i.e. the capital project can be completed without such costs, must be expensed. Examples include but are not limited to the followings:
- Advertising costs to the public regarding roadway construction<sup>xv</sup>
  - Additional operating costs incurred during construction such as transporting passengers via terminal buses
  - Performance audit costs of a specific construction project
- .40 Additionally, the following costs must always be charged as operating expense in the fiscal year incurred regardless of whether these costs would not have been incurred had the capital project not been developed.
- a) Repairs and maintenance costs that are either required throughout the estimated useful life of an asset to keep it in good working condition or for necessary **immediate** repair for its current purpose (i.e. not a new purpose). Maintenance is distinguished from renovation and improvements by the fact that maintenance does not extend the remaining useful life of the asset. Examples of repair and maintenance work include:
- Repair made to prevent damage to a facility (preventive maintenance)
  - Repair to restore asset after damage
  - Replacement of minor parts or structural components such as, broken windows, piling, faulty plumbing, cracked pavement, defective crane wheels, replacement of lighting ballasts, dike repairs
  - Redecoration or remodeling without a change in purpose and not associated with a larger renovation project
  - Repainting or wallpapering
  - Maintenance agreement such as service contracts for elevators
  - Custodial services (e.g. cleaning) or activities such as lawn mowing, tree trimming, janitorial services, extermination services
  - Warranty agreement or costs
  - Maintenance dredging (see paragraph .34c)
  - Scheduled plant maintenance, reseeding of a lawn, plant establishment (i.e. plant warranty/ plant maintenance)
  - Repaint striping on a parking lot
- b) Spare or excess or specialized materials and supplies purchased for future maintenance of tangible assets must be accounted for as “supplies and materials” at purchase. The supplies and materials must be charged to maintenance expenses when used for maintenance purposes.

- c) All training costs except for those required by law and regulation for the specific capital project to proceed. All staff time spent on training that does not meet the exception stated above must be charged to an “expense subclass”.
- d) General and Administrative expenses such as accounting, human resources, public affairs, executives, membership costs...etc. are not clearly related to development or construction of specific tangible assets.
- e) Perishable or consumable items (e.g. meals, food, coffee, water cooler, small tools, office supplies, stationeries, kitchen utensil ...etc)
- f) Materials (e.g. bags of dog food to simulate baggage on conveyor system) purchased for testing purposes and which will be sold or transferred to other agencies upon completion of the capital project should be classified as other assets at net realizable value (market value less disposal costs).
- g) Moving or relocation costs, i.e. moving people, equipment or utilities/infrastructure in or out of building during construction of capital project
- h) Cost associated with demolition/removal of old buildings or structures that does not meet the circumstances stated in paragraph .32 should be treated as disposal of capital assets.
- i) Litigation costs incurred for claims against subcontractor
- j) Costs arising from judgments and out-of-court settlement that are not associated with the direct costs (i.e. labor or materials) of acquisition or construction of the asset such as fines and penalties
- k) Lost rental revenue or rent credits given to tenants as construction mitigation should be recorded as reduction to rental revenue
- l) Monitoring costs required to confirm the mitigation project functions as designed after asset is in-used
- m) Licensing and registration fees for vehicles and operational equipment
- n) Holiday lighting programs are an annual operating expense
- o) Interest costs related to assets acquired through capital leases or interest costs that are ineligible for capitalized interest under AC-8c, Capitalized Interest Policy
- p) Environmental remediation costs such as asbestos removal costs, soil remediation, and other environmental clean-up costs that are ineligible for capitalization under AC-9, Environmental Reserve Policy.

## **Capital Project Costs – Roles & Responsibilities**

- .41 Once a capital project is set up, the authorized Project Manager or Project Management Controls staff must review their responsible capital project costs on a monthly basis to ensure only appropriate costs are charged to the capital project. Any discrepancies noted during the fiscal year of the occurrence of the charges must be timely reported to AFR Payroll Services or Accounts Payable Services depending on the type of costs for correction. Any discrepancies noted during January through March related to charges occurred in the immediate prior year (e.g. charges occurred in 2009 but discovered in February 2010) must be timely reported to AFR Capital Services for correction using the “Transaction Adjustment Form”.
- .42 Request for transaction adjustment from one capital project to another capital project after March related to charges occurred in the immediate prior year (e.g. charges occurred in 2009 but discovered in April 2010) must be approved by AFR Capital Services Manager or AFR Assistant Director.
- .43 Authorized Project Manager or Project Management Controls staff must submit request for transaction adjustment from capital project to expense or reserve project, to AFR Capital Services in a timely manner once the adjustment is identified.
- .44 Invoice amount equal or less than \$1,000 related to multiple projects should not be direct charged to the capital projects. Such costs should be allocated to capital projects via overhead allocation process under AC-8g Overhead Policy.
- .45 Please refer to AC-8f, Fund Transfer Policy, for fund transfer adjustments.

## **Closing capital project**

- .46 Tangible assets must be recorded in a capital project (i.e. CWIP account) until placed in service (i.e. transfer to capital asset account).

Once any of the following conditions is first met, a capital asset is considered complete and the related asset must be placed in service.

- a) The facility/building is occupied
- b) The asset is ready for its intended use
- c) A Certificate of Occupancy has been issued
- d) The Port received title to the purchased or donated asset such as land, equipment, vehicle, etc.

Once the final asset is placed in service and the capital project is fully closed, any remaining costs are expensed as incurred, and no additional spending may be charged to the capital project.

.47 Capital projects that have separate and distinct phases but ultimately relate to one overall project may be treated as separate CWIP activities for accounting purposes. These phases are independent of one another, meaning one phase can be placed in service prior to the commencement and/or completion of construction on the other phase(s). Once completed phases are placed into service, depreciation begins.

**Project Closing – Roles & Responsibilities**

.48 Authorized Project Manager, or Project Management Control staff, with the assistance of Construction Management, and review by Project Sponsor, must provide AFR Capital Services a complete finalized Asset Plan and Project Information & Checklist, 30 days before one or more major asset components meeting the criteria stated in paragraph .46 will be in-use.

.49 Authorized AFR Capital Services must change the project status from “A” (Active) to “B” (Been partially closed) or “C” (Closing). Once a “C” status is assigned to the capital project, the capital project can still accept costs for a 3-months or 9-months period from “final” asset being in-use depending on the project type.

- a) 3-months periods are scheduled for “IT”, “CRANE”, “ACQ”, and “WHEEL” projects.
- b) 9-months periods are scheduled for “CONST”, “SMWKS”, “INSUL”, and “RELOC” projects.
- c) No open periods for “EQUIP”, and “PLAN”

The purpose of keeping the project open for a 3-month or 9-month period after final in-use date is to record appropriate capitalizable costs related to the project closeout coming in late (such as commissioning) after the in-use date.

.50 An “N” (No charges allowed) status is automatically assigned by the system to the project (on the last day of the month) when the 3-months or 9-months period after final in-use date is reached. Once the project is in “N” status, no additional spending maybe charged to the project.

Example: A vehicle is in-use on May 3<sup>rd</sup> 2009; an “N” status is assigned on 8/31/2009.

Condition	In-use		No charges
Date	5/3/2009	—————>	8/31/2009
Status	C	3-months periods	N

.51 Authorized Project Manager or Project Management Controls staff can request AFR Capital Services to input “N” status in the system earlier than the 3-months or 9-months period depending on the project type by email notification.

- .52 Authorized Project Manager or Project Management Controls staff should refrain from requesting AFR Capital Services to extend the 3-months or 9-months periods depending on the project type for closing unless there are unusual legal or contractual issues needed for the project to be open longer than 3-months or 9-months. Extension requests must be supported by written explanation with revised closing date and approved by AFR Capital Services Manager or AFR Assistant Director. Once the 3-months or 9-months period of closing is extended based on the project type and the requested revised date, the project is in “D” (Closed & Do not retire) status.
- .53 If authorized Project Manager or Project Management Controls staff fails to notify AFR Capital Services one or more major asset components meeting the criteria stated in paragraph .46 with a complete finalized Asset Plan and Project Information & Checklist after the 3-months or 9-months periods from the scheduled in-use date depending on the project type, the project must be put in “N” status immediately once AFR Capital Services is notified. Authorized Project Manager or Project Management Controls staff must provide written justification for this action.
- .54 AFR Capital Services must review Finalized Project Information & Checklist and the capital project cost detail for any noncapitalizable costs. Noncapitalizable costs identified must be removed from capital project and charged to operating expenses. AFR Capital Services will notify the Project Manager or Project Management controls staff of these charges to ensure that the operating budget is accurately monitored.
- Note: Noncapitalizable costs should have been identified up front when filling out Project Information & Checklist or during monthly project costs review.*
- .55 Authorized AFR Capital Services must review the finalized Asset Plan for reasonableness and consistency prior to recording assets.

#### **Costs incurred subsequent to a new tangible assets being in-use**

- .56 Improvement or betterment to an existing operational tangible asset and its associated outlays excluding noncapitalizable costs stated in paragraph .39 and .40 exceeding \$20,000 should be capitalized in accordance to paragraph .04 when it meets ONE of the following outcomes:
- a) Extends the tangible asset’s estimated useful life at least by the longer of (a) 3 years or (b) 25% of the default asset life
  - b) Increase the tangible asset’s service capacity in term of
    - Efficiency – increase the level of service, or
    - Effectiveness – increase functionality or providing new purpose

If the modification does not result in any of the above outcomes, the associated outlays must be charged as operating expense as incurred.



- .57 There are three broad categories of betterment that may be capitalized when one of the outcomes stated in paragraph .56 is met:
- a) Alterations: Changes to the internal structural arrangement or other physical characteristics of an existing asset so that it may be effectively used for a newly designated purpose (one not intended in the original design). Examples of alteration include:
    - Adding a new wing to an existing building
    - Changing a storage space into a office space or leasable space
    - Installing new wiring, heating, and improvements to prepare the property for new use by a tenant
    - Deepening of channels and berths by dredging (see paragraph .34a)
  - b) Renovations: The total or partial upgrading of a facility to higher standards of quality or efficiency. Examples of renovations include:
    - Replacing a sheet metal roof with a copper roof; concrete piles for wooden piles
    - Transitioning an old lighting system into a state-of-the-art energy efficient lighting system
    - Upgrading of building systems such as electrical wiring or plumbing
  - c) Replacements: Replacement of an existing asset that is at or exceeding 75% of its original useful life (e.g. Year 3 of a 4 years life asset) of the existing deteriorated asset because of time or usage, where the deterioration has not been corrected through ongoing or required maintenance and now requires a major overhaul with a systematic replacement plan. Examples of replacements include:
    - Replacing old or broken windows as part of a larger renovation project
    - Replacing electrical, plumbing, heating or air conditioning system
    - Replacing concrete panels and joint seals
    - Replacing dead landscape/wetland after planting
- .58 Capitalized improvement or betterment costs must be recorded as additions to the existing operational tangible assets. Existing tangible assets removed, even if the asset is fully depreciated, during the improvement or betterment projects must be reported to reduce the historical costs and the associated accumulated depreciation balance of the existing asset in the Asset Management System. See AC-8e, Impairment and Disposition Policy for accounting treatment of assets disposal.

## Improvement Project – Roles and Responsibilities

- .59 Capital project setup roles and responsibilities for replacement project are no different from capital project setup roles and responsibilities for new capital asset stated in paragraph .20 to .25. In addition, authorized Project Sponsor must submit a preliminary Asset Disposition Form, to AFR Capital Services for any capital assets planned to be removed, including fully depreciated assets, in the improvement project. Please refer to AC-8e, Impairment and Disposition Policy.

## Depreciation

- .60 The purpose of depreciation is to allocate capitalized costs over the duration (i.e. an estimated useful life) of the tangible asset providing benefits/services to the Port's operation.
- .61 Depreciation must begin on the first day of the following month once the capital project is substantially completed as stated in paragraph .46.
- .62 An estimated useful life of a tangible asset should be determined based on the following factors.
- a) **Materials and construction:** asset life varies based on materials and construction e.g. wood structure versus metal structure
  - b) **Specific use:** same asset but usage differs may result in different life e.g. higher volume of traffic may wear off one road faster than the other
  - c) **Physical environment:** Climatic condition such as erosion at one berth facing north is different than another berth facing south
  - d) **Maintenance policy:** well maintained asset may last longer than a poorly maintained asset
  - e) **Technology:** certain assets become obsolete faster than the others
  - f) **Regulatory environment:** certain assets must be replaced earlier due to regulatory requirement than the others
  - g) **Contractual requirement:** leasehold improvement made by the Port as a lessee must be depreciated over the shorter of the lease term (taking into account of probable renewal) or the estimated useful life of the asset<sup>xvi</sup>
- .63 A tangible asset, including leasehold improvement made by the Port as a lessor, must be depreciated over the shorter of the tangible asset's useful life versus its legal/contractual and regulatory life (taking into account of probable renewal periods).
- .64 The Port should not depreciate tangible assets reported in the following major components<sup>xvii</sup>:
- a) Land
  - b) CWIP
  - c) Movable collections of works of art, historical treasures

- .65 Each depreciable tangible asset must be assigned to the appropriate asset profile and depreciated on a straight-line manner over the pre-determined estimated useful life<sup>xvii</sup>.
- .66 The remaining useful life of an existing asset being improved should be reevaluated and changed, if necessary, and accounted for on a prospective basis. The new depreciable costs of improved tangible assets must be computed in the following manner.

$$\frac{(\text{NBV of the existing asset} - \text{NBV of existing assets removed} + \text{Cost of improvement})}{\text{Revised remaining estimated useful life}}$$

### **Depreciation – Roles and Responsibilities**

- .67 Authorized AFR Capital Services personnel, in consultation with Capital Development Division, must review the reasonableness of the estimated useful lives selected for depreciation/amortization purposes on an annual basis.
- .68 Changes to the default estimated useful lives per asset profile must be documented with supporting document and approved by Accounting Manager at Capital Services or Assistant Director of AFR. Such change must be accounted for prospectively as the result of changes in accounting estimates<sup>xviii</sup>.

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<sup>i</sup> GASB No. 51, paragraph 3

<sup>ii</sup> GASB No. 51, paragraph 2

<sup>iii</sup> GASB No. 51, paragraph 6

<sup>iv</sup> GASB Concepts No. 4, paragraph 8 and GASB Implementation Guide, 7.9.6

<sup>v</sup> GASB Implementation Guide, 7.9.7

<sup>vi</sup> GASB Implementation Guide, 7.12.2

<sup>vii</sup> GASB No. 42, paragraph 33

<sup>viii</sup> GASB No. 34, paragraph 19

<sup>ix</sup> GASB Implementation Guide, 7.12.7

<sup>x</sup> GASB No. 34, paragraph 18

<sup>xi</sup> ASC 845-10-30-1

<sup>xii</sup> ASC 840-30-25-1

<sup>xiii</sup> ASC 840-10-25-1

<sup>xiv</sup> ASC 970-340-25-3

<sup>xv</sup> ASC 720-35-05-3

<sup>xvi</sup> ASC 840-10-35-6

<sup>xvii</sup> GASB No. 34, paragraph 21

<sup>xviii</sup> ASC 250-10-45-17

Exhibit I  
Debt Service  
Seattle-Tacoma International Airport  
Budget Year 2013  
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Description	Bond Issue	Budget 2013
<b>Airfield Movement Area</b>		
3rd R/W Environ/Legal Sup	1999A	\$ 67,740
3rd R/W Environ/Legal Sup	2000A	687,402
3rd R/W Environ/Legal Sup	2005A (non-AMT)	192,833
3rd R/W Environ/Legal Sup	2012A (01A)	293,425
3rd R/W Environ/Legal Sup	2012A (99A)	62,117
3rd R/W Overflights Acq (	2005A (non-AMT)	51,005
853 SASA Land Acq.	2010 (98A)	544,373
853 SASA Land Acq.	2012B (01C)	296,143
853 SASA Land Acq.	2012C (01D)	642,120
AFMA	All Bond Debt	13,572
AFMA Pavement Replace	2010B	173,828
Community College	2005A (non-AMT)	740
Condominium Insulation	2005A (non-AMT)	22,377
Engineering	1999A	76
Engineering	2012A (99A)	70
FAR Part 150 Mobile Home	2005A (non-AMT)	311,874
Highline School Insulatio	2000A	17,126
Highline School Insulatio	2005A (non-AMT)	15,878
Home Insulation Retrofit	2003A	19,160
Home Insulation Retrofit	2005A (non-AMT)	11,435
Home Insulation Retrofit	2012A (03A)	59,930
Ineligible Parcel Insulat	2005A (97A)	441,089
JOINTS RESEALING-2	1999A	8,186
Land/Noise Land/Noise	2010 (98A)	557,070
Land/Noise Land/Noise	2012B (01C)	303,050
Land/Noise Land/Noise	2012C (01D)	657,097
Local Area Augmentation S	1999A	21,022
Local Area Augmentation S	2012A (99A)	19,277
Low VIS Runway/Guardlight	2003A	4,673
Low VIS Runway/Guardlight	2005A (non-AMT)	5,265
Low VIS Runway/Guardlight	2012A (01A)	562,856
Low VIS Runway/Guardlight	2012A (03A)	14,617
Mobile Home Easement	2000A	164
Neighborhood Reinforcement	2000A	29,469
Neighborhood Reinforcement	2005A (non-AMT)	90,823
New Runway Land Acquisiti	1999A	656,407
New Runway Land Acquisiti	2000A	457,104

Exhibit I  
Debt Service  
Seattle-Tacoma International Airport  
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<b>Description</b>	<b>Bond Issue</b>	<b>Budget 2013</b>
New Runway Land Acquisiti	2005A (97A)	3,311,719
New Runway Land Acquisiti	2005A (non-AMT)	401,215
New Runway Land Acquisiti	2012A (01A)	511,057
New Runway Land Acquisiti	2012A (99A)	601,921
New Runway Land Acquisiti	2012B (01B)	63,861
New Tracon Lease Support	2000B	19,825
New Tracon Lease Support	2010 (00B)	12,130
R/W 16L/34R Reconstructio	2005A (non-AMT)	3,153,535
Runway 16R Slab Replaceme	2003B	75,038
Safety Area Land Acquisti	1999A	10,764
Safety Area Land Acquisti	2000A	6,440
Safety Area Land Acquisti	2012A (01A)	305
Safety Area Land Acquisti	2012A (99A)	9,870
Safety Areas/Mitigation	2000A	87,863
Safety Areas/Mitigation	2005A (non-AMT)	321,170
Safety Areas/Mitigation	2012A (01A)	782,163
Special Purchase Comm. Ve	2005A (non-AMT)	1,481
SPO	2005A (non-AMT)	576
Standard Family Insulatio	1999A	15,286
Standard Family Insulatio	2000A	117,223
Standard Family Insulatio	2005A (96A)	12,725
Standard Family Insulatio	2005A (97A)	10,118
Standard Family Insulatio	2005A (non-AMT)	88,766
Standard Family Insulatio	2012A (99A)	14,018
Standard Insulation Parce	2000A	18,882
Standard Insulation Parce	2005A (97A)	1,709,756
Street Vacations (SeaTac)	2000A	129,884
Third R/W Directional Ins	2005A (non-AMT)	14,726
Third Runway Construction	1999A	68,802
Third Runway Construction	2000A	2,488,968
Third Runway Construction	2003A	837,673
Third Runway Construction	2005A (97A)	501
Third Runway Construction	2005A (non-AMT)	2,352,091
Third Runway Construction	2012A (01A)	4,053,948
Third Runway Construction	2012A (03A)	2,620,154
Third Runway Construction	2012A (99A)	63,091
Transaction Assistance	2000A	55
Transaction Assistance	2005A (non-AMT)	29,122
Less PFC Offset for Third Runway		<u>(21,010,605)</u>

Exhibit I  
Debt Service  
Seattle-Tacoma International Airport  
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<b>Description</b>	<b>Bond Issue</b>	<b>Budget 2013</b>
Total Direct DS - Airfield Movement Area		\$ 10,317,508
Add P69 Debt Allocation		157,814
Add Commercial Paper Fee Allocation		63,487
Add Administrative Allocation to AFMA		1,410,306
Add Roadways Allocation to AFMA		2,764,058
Add IWS Allocation to AFMA		678,412
Add Stormwater Allocation to AFMA		2,943,332
Add Fire Allocation to AFMA		125,230
Total Indirect DS - Airfield Movement Area		\$ 8,142,638
<b>Net Airfield Movement Area</b>		<b>\$ 18,460,146</b>
<b>Airfield Commercial Area</b>		
855 UA Hanger site	2010 (98A)	\$ 76,600
855 UA Hanger site	2012B (01C)	41,671
855 UA Hanger site	2012C (01D)	90,354
AFCA	All Bond Debt	726
Aircraft Parking Position	2000A	(1)
Aircraft Parking Position	2010 (05D)	19,009
Apron Pavement Rehab - 3	2000A	969
Apron Pavement Rehab - 3	2005A (non-AMT)	209,266
Cargo Hardstands - Phase	2012C (99B)	451,198
General Aviation Relocati	2005A (non-AMT)	145,283
Northwest Airlines/IWS Li	2005C (96B)	55,046
Total Direct DS - Airfield Commercial Area		\$ 1,090,122
Add P69 Debt Allocation		12,459
Add Commercial Paper Fee Allocation		63,487
Add Administrative Allocation to AFCA		111,340
Add IWS Allocation to AFCA		1,074,422
Add Stormwater Allocation to AFCA		100,484
Add Fire Allocation to AFCA		2,537
Total Indirect DS - Airfield Commercial Area		\$ 1,364,729
<b>Net Airfield Commercial Area</b>		<b>\$ 2,454,851</b>
<b>Airfield Apron Area</b>		
AFAA	All Bond Debt	\$ 1,915
AFMA Pavement Replace	2010B	741,054
Aircraft Parking Position	2010 (05D)	10,692
Aircraft RON Parking USPS	2010B	417,194

Exhibit I  
Debt Service  
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<b>Description</b>	<b>Bond Issue</b>	<b>Budget 2013</b>
Apron Pavement Rehab - 2	2000B	267
Apron Pavement Rehab - 2	2010 (00B)	163
Apron Pavement Rehab - 3	2000A	1,676
Apron Pavement Rehab - 3	2005A (non-AMT)	356,318
Hardstands/RON Parking	2010 (05D)	266,372
JOINTS RESEALING-2	1999A	8,186
JOINTS RESEALING-2	2012A (99A)	15,014
Ramp Control Facility	2008 (03C)	12,043
Ramp Control Facility	2008 (03C) Fees	11,590
Ramp/N Cargo Lighting Ret	2003B	80,510
<b>Total Direct DS - Airfield Apron Area</b>		<b>\$ 1,922,996</b>
Add P69 Debt Allocation		1,159
Add Commercial Paper Fee Allocation		63,487
Add Administrative Allocation to AFAA		10,357
Add IWS Allocation to AFAA		1,368,394
Add Stormwater Allocation to AFAA		66,792
<b>Total Indirect DS - Airfield Apron Area</b>		<b>\$ 1,510,189</b>
<b>Net Airfield Apron Area</b>		<b>\$ 3,433,185</b>
<b>Terminal Building</b>		
1127 Elevator skybridge	2010 (98A)	\$ 89,846
1127 Elevator skybridge	2012B (01C)	48,877
1127 Elevator skybridge	2012C (01D)	105,979
2011-2013 Roof Replacemen	2010B	133,139
642 Concourse Security	2010 (98A)	4,701
642 Concourse Security	2012B (01C)	2,557
642 Concourse Security	2012C (01D)	5,545
675 Concourse BCD	2010 (98A)	1,777,202
675 Concourse BCD	2012B (01C)	966,812
675 Concourse BCD	2012C (01D)	2,096,315
794 Paving Demo Temp	2010 (98A)	81,697
794 Paving Demo Temp	2012B (01C)	44,444
794 Paving Demo Temp	2012C (01D)	96,366
795 Art	2010 (98A)	13,708
795 Art	2012B (01C)	7,457
795 Art	2012C (01D)	16,169
871 Contaminated soil	2010 (98A)	4,789
871 Contaminated soil	2012B (01C)	2,605
871 Contaminated soil	2012C (01D)	5,649

Exhibit I  
Debt Service  
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<b>Description</b>	<b>Bond Issue</b>	<b>Budget 2013</b>
Boiler System Exp/Upgrade	2008 (03C)	11,436
Boiler System Exp/Upgrade	2008 (03C) Fees	11,006
Building Management Syste	2000A	140,471
Building Management Syste	2000B	30,726
Building Management Syste	2003A	7,980
Building Management Syste	2003B	112
Building Management Syste	2010 (00B)	18,800
Building Management Syste	2012A (03A)	24,961
Central Term Construction	2000B	746,240
Central Term Construction	2003B	4,020
Central Term Construction	2005C (96B)	168,874
Central Term Construction	2008 (03C)	587,233
Central Term Construction	2008 (03C) Fees	565,132
Central Term Construction	2010 (00B)	456,594
Central Term Construction	2012B (01B)	3,159,666
Central Term Construction	2012C (99B)	670,458
Central Term Design	2000B	308,756
Central Term Design	2010 (00B)	188,915
CMP#1 Chillers Purchase	2000B	61,024
CMP#1 Chillers Purchase	2003B	20,658
CMP#1 Chillers Purchase	2010 (00B)	37,338
CMP#1 Chillers Purchase	2010 (05D)	67,224
Communication Systems Imp	2000B	1,688,217
Communication Systems Imp	2003B	2,318,811
Communication Systems Imp	2010 (00B)	1,032,952
Communication Systems Imp	2010 (05D)	69,155
Communication Systems Imp	2012A (01A)	693,877
Communication Systems Imp	2012B (01B)	387,130
Conc A Airline Relocation	2003A	755
Conc A Airline Relocation	2003B	1,706,782
Conc A Airline Relocation	2008 (03C)	15,338
Conc A Airline Relocation	2008 (03C) Fees	14,761
Conc A Airline Relocation	2012A (03A)	2,361
Conc A Airline Relocation	2012B (01B)	50,208
Cooling Tower #5	2012B (01B)	124,022
Electrical Infrastructure	2000B	1,148,937
Electrical Infrastructure	2003A	192,840
Electrical Infrastructure	2003B	63,202
Electrical Infrastructure	2010 (00B)	461,160



Exhibit I  
Debt Service  
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<b>Description</b>	<b>Bond Issue</b>	<b>Budget 2013</b>
Electrical Infrastructure	2010 (05D)	196,270
Electrical Infrastructure	2012A (03A)	603,182
Electrical Infrastructure	2012B (01B)	520
Electrical Infrastructure	2012C (99B)	1,264,537
Elevator/Escalator Mod P	2000B	54,452
Elevator/Escalator Mod P	2003B	227,013
Elevator/Escalator Mod P	2010 (00B)	33,317
Elevator/Escalator Mod P	2010 (05D)	39,998
Energy Conservation	2000B	147,111
Energy Conservation	2003A	28,338
Energy Conservation	2003B	1,005
Energy Conservation	2010 (00B)	90,011
Energy Conservation	2010 (05D)	156,526
Energy Conservation	2012A (03A)	88,639
Escalator Escalator Replacement	2010 (98A)	42,089
Escalator Escalator Replacement	2012B (01C)	22,897
Escalator Escalator Replacement	2012C (01D)	49,647
Facility Monitoring Sys P	2008 (03C)	7,957
Facility Monitoring Sys P	2008 (03C) Fees	7,657
Fourth Floor Improvements	2005C (96B)	151,662
Freight Elevator 3F	2010 (05D)	86,976
Gate Recon. I - Conc C&D	2000B	237,365
Gate Recon. I - Conc C&D	2010 (00B)	145,234
HVAC Renovations - 1	2005C (96B)	135,099
Industrial Air Compressor	2000B	64,872
Industrial Air Compressor	2010 (00B)	39,692
InterConn Piping (W. Feed	2003B	511,197
InterConn Piping (W. Feed	2010 (05D)	50,195
InterConn Piping (W. Feed	2012C (99B)	94,437
Lighting Improvements Ph	2005C (96B)	202,973
Maintenance Facility Rplc	2000A	8,022
Master Evacuation System	2000A	35,418
Mechanical Infrastructure	2000B	1,892,505
Mechanical Infrastructure	2003B	1,344,768
Mechanical Infrastructure	2010 (00B)	1,157,947
Mechanical Infrastructure	2010 (05D)	365,525
Mechanical Infrastructure	2012B (01B)	478,737
Mechanical Infrastructure	2012C (99B)	2,283,753
MT Seismic Upgrade (Tkt/M	2003B	197,198

Exhibit I  
Debt Service  
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Description	Bond Issue	Budget 2013
MT Seismic Upgrade (Tkt/M	2010 (05D)	41,879
MT Seismic Upgrade (Tkt/M	2012B (01B)	660,279
North Satellite Seismic	2010 (05D)	9,257
Post-Step Relocations	2003B	2,457
Post-Step Relocations	2008 (03C)	51,782
Post-Step Relocations	2008 (03C) Fees	49,833
Restroom Improvements	2000B	636,375
Restroom Improvements	2003B	556,086
Restroom Improvements	2010 (00B)	389,372
Restroom Improvements	2012C (99B)	352,061
Retrofit Tanks - 2	2005C (96B)	35,967
Roof Replacement Program	2010B	75,545
Sat & Conc Emerg Trnsfrmr	2003B	241,194
Security Access/Fac. Impv	2003B	150,635
Security Access/Fac. Impv	2012B (01B)	120,675
Security PAX Checkpoints	2003B	306,294
Security PAX Checkpoints	2012B (01B)	313,051
Security System Upgrade	2000A	93,975
Security System Upgrade	2000B	4,809
Security System Upgrade	2003B	1,722,080
Security System Upgrade	2010 (00B)	2,943
Security System Upgrade	2012B (01B)	19,995
Seismic Upgrd Term - Phas	2000B	588
Seismic Upgrd Term - Phas	2003B	112
Seismic Upgrd Term - Phas	2005C (96B)	532,683
Seismic Upgrd Term - Phas	2010 (00B)	360
Seismic Upgrd Term - Phas	2012C (99B)	926,005
Sewer Infrastructure Proj	1999A	150,919
Sewer Infrastructure Proj	2000B	2,672
Sewer Infrastructure Proj	2010 (00B)	1,635
Sewer Infrastructure Proj	2012A (99A)	138,392
Small Jobs	2000A	(437)
Small Jobs	2012B (01B)	4,580
So Sat Delta Sky Club Ex	2010B	416,159
So. Terminal Exp Construc	2000B	552,589
So. Terminal Exp Construc	2003B	90
So. Terminal Exp Construc	2005C (96B)	36,750
So. Terminal Exp Construc	2008 (03C)	362,181
So. Terminal Exp Construc	2008 (03C) Fees	348,551

Exhibit I  
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Description	Bond Issue	Budget 2013
So. Terminal Exp Construc	2010 (00B)	338,107
So. Terminal Exp Construc	2012B (01B)	8,727,245
So. Terminal Exp Construc	2012C (99B)	1,306,053
So. Terminal Expansion De	2000B	639,760
So. Terminal Expansion De	2005C (96B)	215,281
So. Terminal Expansion De	2008 (03C)	16,809
So. Terminal Expansion De	2008 (03C) Fees	16,176
So. Terminal Expansion De	2010 (00B)	391,444
So. Terminal Expansion De	2012B (01B)	321,096
So. Terminal Expansion De	2012C (99B)	1,424,426
South Satellite Reverse S	2000B	1,550
South Satellite Reverse S	2005C (96B)	36,373
South Satellite Reverse S	2010 (00B)	948
SSAT HVAC,Lights,Ceiling	2010B	269,096
STEP Env. Support	2000B	59,795
STEP Env. Support	2005C (96B)	80,621
STEP Env. Support	2008 (03C)	4,040
STEP Env. Support	2008 (03C) Fees	3,888
STEP Env. Support	2010 (00B)	36,586
STEP Env. Support	2012B (01B)	55,845
STEP Env. Support	2012C (99B)	158,378
STS Construction	2000B	573,533
STS Construction	2003B	843,844
STS Construction	2005C (96B)	196,965
STS Construction	2010 (00B)	350,922
STS Construction	2012A (01A)	76
STS Construction	2012B (01B)	6,518
STS Construction	2012C (99B)	7,105
SW Gate Reconfiguration	2012B (01B)	47,389
Tenant Improvements - 1	2005C (96B)	96,696
Tenant Reimbursable - 2	2005C (96B)	94,261
TermAE (recategorized to TermBldg)	All Bond Debt	3,311
TermBldg	All Bond Debt	25,974
Terminal Escalators Modn	2010B	1,735,634
Terrazzo - B/C/D	2000B	7,374
Terrazzo - B/C/D	2010 (00B)	4,512
Two New CTE Freight Eleva	2010B	247,405
USAir Relo to UA & No. Sa	2003B	381,890
USAir Relo to UA & No. Sa	2012B (01B)	(9,513)

Exhibit I  
Debt Service  
Seattle-Tacoma International Airport  
Budget Year 2013  
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<b>Description</b>	<b>Bond Issue</b>	<b>Budget 2013</b>
Vertical Convey Modn Aero	2010B	453,039
Voice Paging System	2000B	1,817
Voice Paging System	2003B	62,978
Voice Paging System	2010 (00B)	1,112
Voice Paging System	2010 (05D)	68,858
Voice Paging System	2012A (01A)	15,235
Water Infrastructure Proj	2000B	5,196
Water Infrastructure Proj	2003B	1,045
Less PFC Offset for STEP		(8,408,478)
Less PFC Offset for STS		(1,273,273)
<b>Total Direct DS - Terminal Building</b>		<b>\$ 54,262,038</b>
<b>CU Ticketing</b>		
AA/DL Ticket Cntr Wrap Ar	2003B	\$ 137,123
Alaska Air 2 Step Ticket	2003B	423,429
<b>Total Direct DS - Ticketing</b>		<b>\$ 560,553</b>
Add P69 Debt Allocation		434,809
Add Commercial Paper Fee Allocation		571,387
Add Administrative Allocation to Terminal Bldg		3,885,677
Add Roadways Allocation to Terminal Bldg		2,764,058
Add IWS Allocation to Terminal Bldg		110,951
Add Stormwater Allocation to Terminal Bldg		45,129
Add Fire Allocation to Terminal Bldg		18,508
<b>Total Indirect DS - Terminal Building</b>		<b>\$ 7,830,518</b>
<b>Total Terminal Building</b>		<b>\$ 62,653,109</b>
Less Terminal Building Allocation to FIS (3.72%)		\$ (2,330,696)
<b>Net Terminal Building</b>		<b>\$ 60,322,413</b>
<b>Federal Inspection Services</b>		
FIS	All Bond Debt	\$ 5,698
<b>Total Direct DS - FIS</b>		<b>\$ 5,698</b>
Add Terminal Bldg Allocation to FIS		2,330,696
<b>Total Indirect DS - FIS</b>		<b>\$ 2,330,696</b>
<b>Net Federal Inspection Services</b>		<b>\$ 2,336,394</b>
<b>Baggage Systems</b>		
100% Ck Bag Interim Impac	2003B	\$ 66,775
100% Ck Bag Interim Impac	2012B (01B)	51,882

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Debt Service  
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<b>Description</b>	<b>Bond Issue</b>	<b>Budget 2013</b>
Baggage System Improvemen	2000B	107
Baggage System Improvemen	2005C (96B)	958,033
Baggage System Improvemen	2010 (00B)	65
BHS C22-C1, MK1, TC3	2010B	230,835
Claim Device 14 & Lower I	2010B	12,658
Connect C1 BHS to C88 BHS	2010B	89,469
Cruise Baggage Inputs	2003B	192,732
MT 100% Baggage Screening	2003B	1,707,899
MT 100% Baggage Screening	2008 (03C)	19,209
MT 100% Baggage Screening	2008 (03C) Fees	18,486
MT 100% Baggage Screening	2010 (05D)	1,082,912
MT 100% Baggage Screening	2012B (01B)	53,291
Security - Bagwell Prepar	2012B (01B)	150,624
STEP Security Bag & Chckp	2003B	893
STEP Security Bag & Chckp	2008 (03C)	224,692
STEP Security Bag & Chckp	2008 (03C) Fees	216,236
STEP Security Bag & Chckp	2012B (01B)	1,199,882
UAL Baggage System Contro	2000B	178,745
UAL Baggage System Contro	2005C (96B)	40,026
UAL Baggage System Contro	2010 (00B)	109,367
Less PFC Offset for Baggage		(3,107,644)
<b>Total Baggage Systems</b>		<b>\$ 3,497,172</b>
 <b>Electrified Ground Service Equipment</b>		
GSE Electrical Chrg Station	2010B	\$ 593,197
 <b>Gate Utilities</b>		
Airport Owned Gate Infrsas	2010B	\$ 98,502
Cent Plant Preconditioned	2010B	1,056,190
NSat. 400HZ Power System	2003A	28,111
NSat. 400HZ Power System	2003B	112
NSat. 400HZ Power System	2012A (03A)	87,927
<b>Total Gate Utilities</b>		<b>\$ 1,270,841</b>
 <b>Passenger Loading Bridges</b>		
Bridge Node Ext. Panels	2000B	\$ 481
Bridge Node Ext. Panels	2010 (00B)	294
Loading Bridge & Equip Bu	2003B	114,567

Exhibit I  
Debt Service  
Seattle-Tacoma International Airport  
Budget Year 2013  
Updated 02/19/2013

Description	Bond Issue	Budget 2013
Loading Bridge & Equip Bu	2010 (05D)	83,312
Loading Bridge & Equip Bu	2012B (01B)	156,349
Loading Bridges S4, S5, S	2000B	19,718
Loading Bridges S4, S5, S	2010 (00B)	12,065
Loading Bridges Utilities	2010B	327,323
PLB Replacement-AR	2010B	395,503
<b>Total Passenger Loading Bridges</b>		<b>\$ 1,109,613</b>
<b>Administrative</b>		
Admin	All Bond Debt	\$ 1,170
C4 UPS System Improvement	2003B	2,233
CDP Planning	2000B	1,229
CDP Planning	2010 (00B)	752
CDP Planning	2012B (01B)	126,841
Comm Center Design & Cons	2000A	121,916
Comm Center Design & Cons	2003A	100,292
Comm Center Design & Cons	2005A (96A)	76,398
Comm Center Design & Cons	2012A (03A)	313,703
Comm Center Design & Cons	2012B (01B)	695,865
Consolidated Warehouse	2003B	1,013,461
E-COMMERCE	2012A (01A)	347,205
E-COMMERCE INFRASTRUCTURE	2012A (01A)	141,228
ENV PROJ-96/97	2005C (96B)	11,366
INFORMATION INFRASTRUCTUR	2000A	73,892
INFORMATION INFRASTRUCTUR	2005A (97A)	111,900
Information Technology Pr	2000A	53,154
MIS Upgrade & Enhancement	1999A	11,522
MIS Upgrade & Enhancement	2012A (99A)	10,565
NEDP Infrastructure Plans	2000B	4,008
NEDP Infrastructure Plans	2010 (00B)	2,452
Operations LAN	2000B	108,155
Operations LAN	2003B	5,472
Operations LAN	2010 (00B)	66,176
Police Consolidation (PDO	2000B	5,664
Police Consolidation (PDO	2003B	1,452
Police Consolidation (PDO	2005A (non-AMT)	315,493
Police Consolidation (PDO	2008 (03C)	73,087
Police Consolidation (PDO	2008 (03C) Fees	70,337
Police Consolidation (PDO	2010 (00B)	3,466

Exhibit I  
Debt Service  
Seattle-Tacoma International Airport  
Budget Year 2013  
Updated 02/19/2013

<b>Description</b>	<b>Bond Issue</b>	<b>Budget 2013</b>
Radio Sys Support & Upgra	2000A	165,957
Radio Sys Support & Upgra	2000B	345,841
Radio Sys Support & Upgra	2003A	21,484
Radio Sys Support & Upgra	2010 (00B)	211,606
Radio Sys Support & Upgra	2012A (03A)	67,201
Regulated Mtls Mgmt Prgrm	2000B	23,352
Regulated Mtls Mgmt Prgrm	2003B	(223)
Regulated Mtls Mgmt Prgrm	2010 (00B)	14,288
Regulated Mtls Mgmt Prgrm	2012B (01B)	88
SERVICES TECHNOLOGY PROJE	2000A	20,629
So. Terminal Exp Construc	2000B	134,711
So. Terminal Exp Construc	2003B	22
So. Terminal Exp Construc	2005C (96B)	8,959
So. Terminal Exp Construc	2008 (03C)	88,293
So. Terminal Exp Construc	2008 (03C) Fees	84,970
So. Terminal Exp Construc	2010 (00B)	82,424
So. Terminal Exp Construc	2012B (01B)	2,127,537
So. Terminal Exp Construc	2012C (99B)	318,391
So. Terminal Expansion De	2000B	155,962
So. Terminal Expansion De	2005C (96B)	52,481
So. Terminal Expansion De	2008 (03C)	4,098
So. Terminal Expansion De	2008 (03C) Fees	3,943
So. Terminal Expansion De	2010 (00B)	95,427
So. Terminal Expansion De	2012B (01B)	78,277
So. Terminal Expansion De	2012C (99B)	347,248
Year 2000	1999A	106,626
Year 2000	2012A (99A)	97,775
Year 2000	2012C (99B)	103,181
Total Administrative		\$ 8,631,001
Less Administrative Allocation to Cost Centers		(8,631,001)
<b>Net Administrative</b>		<b>\$ -</b>
<b>Roadways</b>		
28/24TH AVE S ARTERIAL, P	1999A	\$ 71,480
28/24TH AVE S ARTERIAL, P	2012A (99A)	65,547
606 Airport Service Tunnel	2010 (98A)	4,943
606 Airport Service Tunnel	2012B (01C)	2,689
606 Airport Service Tunnel	2012C (01D)	5,830
643 South Access EIS	2010 (98A)	2,175

Exhibit I  
Debt Service  
Seattle-Tacoma International Airport  
Budget Year 2013  
Updated 02/19/2013

Description	Bond Issue	Budget 2013
643 South Access EIS	2012B (01C)	1,183
643 South Access EIS	2012C (01D)	2,565
803 Traffic Mitigation	2010 (98A)	21,045
803 Traffic Mitigation	2012B (01C)	11,448
803 Traffic Mitigation	2012C (01D)	24,823
Air Cargo Road Pre-Design	2000A	25,649
Intelligent Transpo Sys	2000B	53
Intelligent Transpo Sys	2010 (00B)	33
Miscellaneous Access Impr	2005A (96A)	728,340
MPU SEIS - SR 99/S 160 St	2000A	26,031
MPU SEIS - SR 99/S 160 St	2012A (01A)	381
No. Expressway Relo Phase	2003B	9,380
No. Expressway Relo Phase	2005A (non-AMT)	6,133,651
No. Expressway Relo Phase	2010B	134,404
Radisson Site Acquisition	1999A	760,229
Radisson Site Acquisition	2000A	61,777
Radisson Site Acquisition	2012A (99A)	697,124
Roadway Signage	2000B	107
Roadway Signage	2010 (00B)	65
Roadways	All Bond Debt	1,991
STEP Lower Drive Curbside	2003B	576,744
Total Roadways		\$ 9,369,688
Less Roadways Allocation to Cost Centers		(9,369,688)
<b>Net Roadways</b>		<b>\$ -</b>
<b>Stormwater</b>		
Comp. Storm Water Mgmt P/	2003A	\$ 60,621
Comp. Storm Water Mgmt P/	2005A (non-AMT)	1,119,816
Comp. Storm Water Mgmt P/	2012A (03A)	1,041,968
Des Moines Creek Basin Pl	2003A	125,479
Des Moines Creek Basin Pl	2005A (non-AMT)	67,870
Des Moines Creek Basin Pl	2005C (96B)	17,943
Des Moines Creek Basin Pl	2012A (01A)	198,816
Des Moines Creek Basin Pl	2012A (03A)	392,485
NPDES - AKART	2000A	11,610
NPDES - AKART	2003A	33,826
NPDES - AKART	2005A (non-AMT)	325,612
NPDES - AKART	2012A (01A)	150,674
NPDES - AKART	2012A (03A)	105,805



Exhibit I  
Debt Service  
Seattle-Tacoma International Airport  
Budget Year 2013  
Updated 02/19/2013

<b>Description</b>	<b>Bond Issue</b>	<b>Budget 2013</b>
NPDES - AKART	2012B (01B)	76,545
Stormwater Pipe Liner Pro	2005A (non-AMT)	39,406
Total Stormwater		<u>\$ 3,768,476</u>
Less Stormwater Allocation to Cost Centers		<u>(3,768,476)</u>
<b>Net Stormwater</b>		<u>\$ -</u>
<b>Industrial Waste System (IWS)</b>		
Drives Connection to IWS	2003A	\$ 2,181
Drives Connection to IWS	2005A (non-AMT)	108,428
Drives Connection to IWS	2012A (03A)	6,821
IWS IMPRV/CONSTR-1	2005C (96B)	976,382
IWS Lagoon #3	1999A	473,324
IWS Lagoon #3	2000B	107
IWS Lagoon #3	2010 (00B)	65
IWS Lagoon #3	2012A (99A)	434,035
IWS Piping Testing/Repair	2012A (01A)	144,504
IWTP Performance Improvem	2000B	287,755
IWTP Performance Improvem	2003B	919,328
IWTP Performance Improvem	2010 (00B)	176,066
Total IWS		<u>\$ 3,528,995</u>
Less IWS Allocation to Cost Centers		<u>(3,528,995)</u>
<b>Net IWS</b>		<u>\$ -</u>
<b>Fire</b>		
ARFF Station Update	2003B	\$ 90,448
FIRE VEHICLES	1999A	24,382
FIRE VEHICLES	2008 (03C)	6,152
FIRE VEHICLES	2008 (03C) Fees	5,921
FIRE VEHICLES	2012A (99A)	22,359
Total Fire		<u>\$ 149,261</u>
Less Fire Allocation to Cost Centers		<u>(149,261)</u>
<b>Net Fire</b>		<u>\$ -</u>
<b>Landside</b>		
2004 Taxable Refunding Related To Rental Car	2010 (98A)	\$ (477,526)
3rd Floor Van Struct Impr	1999A	47,881
3rd Floor Van Struct Impr	2000B	2,512
3rd Floor Van Struct Impr	2010 (00B)	1,537
3rd Floor Van Struct Impr	2012A (99A)	43,906

Exhibit I  
Debt Service  
Seattle-Tacoma International Airport  
Budget Year 2013  
Updated 02/19/2013

Description	Bond Issue	Budget 2013
4th Floor Improvements	2005A (non-AMT)	689,643
682 PFE Design Build	2010 (98A)	903,429
682 PFE Design Build	2012B (01C)	491,472
682 PFE Design Build	2012C (01D)	1,065,648
726 Per Trip Fee Equip	2010 (98A)	681
726 Per Trip Fee Equip	2012B (01C)	370
726 Per Trip Fee Equip	2012C (01D)	803
796 Rental Car facility	2010 (98A)	64,101
796 Rental Car facility	2012B (01C)	34,871
796 Rental Car facility	2012C (01D)	75,611
797 Garage Plaza	2010 (98A)	146,962
797 Garage Plaza	2012B (01C)	79,948
797 Garage Plaza	2012C (01D)	173,350
798 Ground Transp.	2010 (98A)	21,023
798 Ground Transp.	2012B (01C)	11,437
798 Ground Transp.	2012C (01D)	24,798
799 Seismic Upgrade	2010 (98A)	168,621
799 Seismic Upgrade	2012B (01C)	91,731
799 Seismic Upgrade	2012C (01D)	198,899
800 PFE Design Admin	2010 (98A)	181,143
800 PFE Design Admin	2012B (01C)	98,543
800 PFE Design Admin	2012C (01D)	213,669
802 Employee Lot	2010 (98A)	13,334
802 Employee Lot	2012B (01C)	7,254
802 Employee Lot	2012C (01D)	15,728
850 Card Access	2010 (98A)	2,636
850 Card Access	2012B (01C)	1,434
850 Card Access	2012C (01D)	3,109
856 S. 160th Empty Lot	2010 (98A)	220
856 S. 160th Empty Lot	2012B (01C)	120
856 S. 160th Empty Lot	2012C (01D)	259
858 North PFC Circ	2010 (98A)	82,509
858 North PFC Circ	2012B (01C)	44,886
858 North PFC Circ	2012C (01D)	97,325
885 Public Overheight	2010 (98A)	5,558
885 Public Overheight	2012B (01C)	3,023
885 Public Overheight	2012C (01D)	6,556
887 Parking Revenue	2010 (98A)	2,285
887 Parking Revenue	2012B (01C)	1,243

Exhibit I  
Debt Service  
Seattle-Tacoma International Airport  
Budget Year 2013  
Updated 02/19/2013

Description	Bond Issue	Budget 2013
887 Parking Revenue	2012C (01D)	2,695
8th Floor Weather Proofin	2009A	156,257
Consolidate RCF land acq.	2000A	76,293
Consolidate RCF land acq.	2003A	58,749
Consolidate RCF land acq.	2005A (non-AMT)	271,234
Consolidate RCF land acq.	2012A (03A)	183,762
Courtesy Van Plaza	2005A (96A)	146,068
Doug Fox Site Improvement	2010B	186,187
Employee Bus Purchases -	2000B	286,419
Employee Bus Purchases -	2010 (00B)	175,248
GA Parking Rev Control Sy	2005A (96A)	272,487
GA Parking Rev Control Sy	2005C (96B)	131,283
Garage Esc & "A" Elevator	2005A (non-AMT)	300,603
Landside	All Bond Debt	9,143
North Charter Bus Lot	2000A	160,718
Parking Lighting Improvem	1999A	134,925
Parking Lighting Improvem	2000B	1,496
Parking Lighting Improvem	2005A (96A)	32,812
Parking Lighting Improvem	2010 (00B)	915
Parking Lighting Improvem	2012A (99A)	123,725
Parking Major Maintenance	2005C (96B)	230,496
PFE Bad Money Reimbursement	2010 (98A)	(61,509)
PFE Bad Money Reimbursement	2012B (01C)	(33,461)
PFE Bad Money Reimbursement	2012C (01D)	(72,553)
Prkg Term #3 Power Ctr Up	2005A (non-AMT)	173,748
Public Prkng Terminal Des	1999A	60,817
Public Prkng Terminal Des	2005A (96A)	282,921
Public Prkng Terminal Des	2012A (99A)	55,769
Public Prkng Terminal Des	2012C (99B)	(109)
Public Prkng Terminal/Con	1999A	288,421
Public Prkng Terminal/Con	2000B	2,191
Public Prkng Terminal/Con	2005A (97A)	4,708,215
Public Prkng Terminal/Con	2005C (96B)	838,766
Public Prkng Terminal/Con	2010 (00B)	1,341
Public Prkng Terminal/Con	2012A (99A)	264,480
Public Prkng Terminal/Con	2012C (99B)	(109)
Refund Landside Rental Car Projects	2004	3,707,276
Rental Car Design	2009A	136,994
Rental Car Fac. Construct	2009A	774,661

Exhibit I  
Debt Service  
Seattle-Tacoma International Airport  
Budget Year 2013  
Updated 02/19/2013

<b>Description</b>	<b>Bond Issue</b>	<b>Budget 2013</b>
Rental Car Fac. Construct	2009B	18,960,907
<b>Total Landside</b>		<b>\$ 37,672,821</b>
Add P69 Debt Allocation		301,430
Add Commercial Paper Fee Allocation		680,222
Add Administrative Allocation to Landside		2,693,736
Add Roadways Allocation to Landside		3,841,572
Add IWS Allocation to Landside		296,817
Add Stormwater Allocation to Landside		341,939
Add Fire Allocation to Landside		2,985
Less CFC Offset to RCF Commercial Paper		(680,222)
Less CFC Offset for Rental Car Facility		(19,872,562)
<b>Net Landside</b>		<b>\$ 25,278,737</b>
<b>Terminal - Port</b>		
646 POS Office Remodel	2010 (98A)	\$ 8,919
646 POS Office Remodel	2012B (01C)	4,852
646 POS Office Remodel	2012C (01D)	10,520
975 Host reimbursement	2010 (98A)	5,777
975 Host reimbursement	2012B (01C)	3,143
975 Host reimbursement	2012C (01D)	6,815
Community/LU Compatibilit	1999A	107,030
Community/LU Compatibilit	2012A (99A)	98,146
Conc B,C,D Grease Interce	2000B	110,399
Conc B,C,D Grease Interce	2003B	56,279
Conc B,C,D Grease Interce	2010 (00B)	67,549
Concessions Implementatio	2000A	58,339
Concessions Implementatio	2008 (03C)	21,014
Concessions Implementatio	2008 (03C) Fees	20,223
NW Cargo Facility Platfor	2000A	185,658
Property/Facil/Lease Syst	2000A	28,487
Retail Space Improvements	2000B	21,962
Retail Space Improvements	2005C (96B)	399,532
Retail Space Improvements	2010 (00B)	13,438
TermNA	All Bond Debt	470
<b>Total Terminal - Port</b>		<b>\$ 1,228,552</b>
Add P69 Debt Allocation		28,878
Add Commercial Paper Fee Allocation		190,462
Add Administrative Allocation to Terminal - Port		258,067
<b>Net Terminal - Port</b>		<b>\$ 1,705,959</b>

Exhibit I  
Debt Service  
Seattle-Tacoma International Airport  
Budget Year 2013  
Updated 02/19/2013

Description	Bond Issue	Budget 2013
<b>Commercial Properties</b>		
Angle Lake Acquisition	2005A (non-AMT)	\$ 520,667
Commercial Develop Plng	2005C (96B)	1,137
Total Commercial Properties		<u>\$ 521,803</u>
Add P69 Debt Allocation		3,574
Add Administrative Allocation to Commercial Properties		31,935
Add Stormwater Allocation to Commercial Properties		270,802
<b>Net Commercial Properties</b>		<u>\$ 828,114</u>
<b>Utilities</b>		
Direct Digital Control -	2005C (96B)	\$ 15,913
Electrical Infrastructure	2003A	101,123
Electrical Infrastructure	2010 (00B)	241,828
Electrical Infrastructure	2010 (05D)	102,922
Electrical Infrastructure	2012A (03A)	316,303
Electrical Infrastructure	2012B (01B)	273
Electrical Infrastructure	2012C (99B)	663,110
Power Center Capacity Upg	2000A	166,120
Power Center Capacity Upg	2003A	25,726
Power Center Capacity Upg	2003B	335
Power Center Capacity Upg	2010 (05D)	71,085
Power Center Capacity Upg	2012A (03A)	80,468
PSE South Substation	2000B	258,205
PSE South Substation	2010 (00B)	157,985
Sanitary Sewer Pump Sta U	2010 (05D)	363,396
SoSat Power Center Upgrad	2003A	(12)
SoSat Power Center Upgrad	2012A (03A)	(37)
Utilities	All Bond Debt	1,306
Water Infrastructure Proj	2000B	29,217
Water Infrastructure Proj	2003B	5,878
Water Infrastructure Proj	2005C (96B)	116,182
Water Infrastructure Proj	2010 (00B)	21,056
Water Infrastructure Proj	2012B (01B)	440
Water Infrastructure Proj	2012C (99B)	1,928,740
Total Utilities		<u>\$ 4,667,563</u>
Add P69 Debt Allocation		\$ 25,691
Add Administrative Allocation to Utilities		229,585
<b>Net Utilities</b>		<u>\$ 4,922,839</u>

Exhibit I  
Debt Service  
Seattle-Tacoma International Airport  
Budget Year 2013  
Updated 02/19/2013

<b>Description</b>	<b>Bond Issue</b>	<b>Budget 2013</b>
<b>Net Debt Service</b>		<u>\$ 126,213,461</u>

Exhibit J

**LANDING FEE**

Seattle-Tacoma International Airport  
Calendar Year

		<b>Estimated 2013</b>
<b>Capital Costs</b>		
Gross debt service		\$ 39,470,751
Less: PFC revenues		<u>(21,010,605)</u>
Debt service		\$ 18,460,146
Debt service coverage		-
Amortization		<u>7,194,231</u>
<b>Capital Costs</b>	[A]	<u>\$ 25,654,377</u>
<b>Operations and Maintenance Expenses</b>	[B]	<u>47,734,396</u>
Gross Airfield Movement Area Requirement	[C=A+B]	\$ 73,388,773
Less: Other Airfield Movement Area Revenue	[D]	(1,241,470)
Less: Non-Signatory Premiums	[D]	-
Less: Other (a)	[E]	<u>(5,959,372)</u>
<b>Airfield Movement Area Requirement</b>	<b>[C-D-E]</b>	<b>\$ 66,187,931</b>
Maximum Gross Landed Weight		<u>19,897,462</u>
<b>Landing Fee (per 1,000 pounds)</b>		<u><u>\$ 3.33</u></u>

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(a) Pursuant to Section 8.2.1. of the Signatory Lease and Operating Agreement.

Exhibit J.1

**RAMP TOWER FEE**  
 Seattle-Tacoma International Airport  
 Calendar Year

		<b>Estimated 2013</b>
		<u>          </u>
<b>Capital Costs</b>		
Gross debt service		\$ -
Less: PFC revenues		-
Debt service		<u>\$ -</u>
Debt service coverage		-
Amortization		-
<b>Capital Costs</b>	[A]	<u>\$ -</u>
<b>Operations and Maintenance Expenses</b>	[B]	<u>1,010,425</u>
	[C=A+B]	\$ 1,010,425
Number of Landings		<u>152,012</u>
<b>Ramp Tower Use Fee</b>		<u><u>\$ 6.65</u></u>



Exhibit J.2

**PASSENGER AIRLINE APRON FEE**  
 Seattle-Tacoma International Airport  
 Calendar Year

		<b>Estimated 2013</b>
		<u>                    </u>
<b>Capital Costs</b>		
Gross debt service		\$ 3,433,185
Less: PFC revenues		-
Debt service		<u>\$ 3,433,185</u>
Debt service coverage		-
Amortization		584,240
<b>Capital Costs</b>	[A]	<u>\$ 4,017,425</u>
<b>Operations and Maintenance Expenses</b>	[B]	<u>4,178,735</u>
	[C=A+B]	\$ 8,196,160
Less: Ramp Tower Revenues	[D]	(1,010,425)
Less: RON Parking Revenues	[E]	<u>(1,025,401)</u>
<b>Airfield Apron Area Requirement</b>	[C-D-E]	<b>\$ 6,160,334</b>
Maximum Gross Landed Weight for Passenger Carriers		<u>18,607,748</u>
<b>Passenger Airline Apron Fee</b>		<u><u>\$ 0.33</u></u>

Exhibit K

**TERMINAL RENTAL RATES**  
Seattle-Tacoma International Airport  
Calendar Year

		<u>Estimated 2013</u>
<b>Capital Costs</b>		
Gross debt service		\$ 70,004,164
Less: PFC revenues		(9,681,751)
Debt service		<u>\$ 60,322,413</u>
Debt service coverage		-
Amortization		<u>7,300,083</u>
<b>Capital Costs</b>	[A]	<u>\$ 67,622,496</u>
<b>Operations and Maintenance Expenses</b>	[B]	<u>92,061,979</u>
	[C=A+B]	<u>\$ 159,684,475</u>
Ratio of Airline Rentable Space to total Rentable Space	[D]	<u>77.2%</u>
	[E=C*D]	<u>\$ 123,250,064</u>
Less: Non-Signatory Premiums	[F]	-
Less: Other (a)	[F]	<u>(11,920,531)</u>
<b>Terminal Building Requirement</b>	[G=E-F]	<u>\$ 111,329,533</u>
Airline Rentable Space (normalized) (b)	[H]	<u>1,217,053</u>
<b>Terminal Rental Rate</b>	<b>[I=G/H]</b>	<u><u>\$ 91.47</u></u>

**Add: Baggage  
Make up**

<u>Groups</u>	<u>Relativity</u>	<u>Normalized Rental Rate by Group</u>	<u>Normalized Rental Rate by Group</u>	<u>Circulation Rate (c)</u>	<u>Terminal Rental Rate by Group</u>
	[J]	[K=I*J]		[L]	[L+K]
Group A					
Gates	2.00	\$ 182.95	\$	35.24	\$ 218.19
Group B					
Ticket Counters	1.00	\$ 91.47		<i>(See Exhibit K.5)</i>	
Baggage Claim	1.00	\$ 91.47	\$	35.24	\$ 126.72
Baggage Makeup	1.00	\$ 91.47	\$	35.24	\$ 126.72
Publicly-accessible Offices, VIP lounges	1.00	\$ 91.47	\$	35.24	\$ 126.72
Security Checkpoint Areas	1.00	\$ 91.47	\$	35.24	\$ 126.72
Group C					
Non-publicly accessible offices	0.50	\$ 45.74		<i>(See Exhibit K.7)</i>	
Group D					
Closed storage	0.25	\$ 22.87		<i>(See Exhibit K.8)</i>	

**TERMINAL RENTAL RATES**

Seattle-Tacoma International Airport  
 Calendar Year

**Footnotes to Terminal Rental Rate Exhibit**

(a) Pursuant to Section 8.3.1. of the Signatory Lease and Operating Agreement.

(b) Based on the following calculations:

<b>Group of Space</b>	<b>Airline Rentable Space</b>	<b>Relativity</b>	<b>Normalized Airline Rentable Space</b>
Group A			
Gates	207,052	2.00	414,104
Group B			
Ticket Counters	48,600	1.00	48,600
Baggage Claim	122,058	1.00	122,058
Baggage Makeup	377,971	1.00	377,971
Publicly-accessible Offices, VIP lounges	131,998	1.00	131,998
Security Checkpoint Areas	47,961	1.00	47,961
Group C			
Non-publicly accessible offices	126,254	0.50	63,127
Group D			
Closed storage	44,937	0.25	11,234
			1,217,053

(c) Based on the following calculations:

	<b>2013</b>
Square feet of Baggage Make up Circulation Space	273,684
Terminal Rental Rate for Group B	\$ 91.47
	\$ 25,035,151
Square feet of Airline Rented Space	710,386
<b>Baggage Make up Circulation Rate</b>	<b>\$ 35.24</b>

## Exhibit K.1

**GATE RATES AND FEES**  
Seattle-Tacoma International Airport  
Calendar Year

		<u>Estimated 2013</u>
<b>AVERAGE GATE COST</b>		
Terminal Rental Rate for Group A		\$ 218.19
Square feet of Gate space		<u>207,052</u>
	[A]	<u>\$ 45,176,870</u>
Terminal Rental Rate for Group B		\$ 126.72
Square feet of Security Checkpoint Area		<u>47,961</u>
	[B]	<u>\$ 6,077,439</u>
<b>Airline Support Systems and Equipment Costs (a)</b>		
<b>Capital Costs</b>		
Gross debt service		\$ 1,864,039
Less: PFC revenues		-
Debt service		<u>\$ 1,864,039</u>
Debt service coverage		-
Amortization		<u>396,585</u>
<b>Capital Costs</b>	[C]	<u>\$ 2,260,624</u>
<b>Operations and Maintenance Expenses</b>	[D]	<u>1,281,333</u>
	[E=D+C]	<u>\$ 3,541,957</u>
Capital Costs and O&M Expenses allocable to airline realignment projects	[F]	16,069,421
<b>Total Gate Requirement</b>	<b>[A+B+E+F]</b>	<b><u>\$ 70,865,687</u></b>
Number of Gates		78
<b>Average Gate Cost</b>		<b><u>\$ 908,534</u></b>
<b>PREFERENTIAL USE GATE RENTAL RATE</b>		
Average Gate Cost		\$ 908,534
Number of Preferential Use Gates		<u>64</u>
		<u>\$ 58,146,205</u>
Unrecovered Common Use Gate Requirement (see second page of this exhibit)		<u>6,873,748</u>
<b>Preferential Use Gate Requirement</b>		<b><u>\$ 65,019,952</u></b>
Number of Preferential Use Gates		64
<b>Preferential Use Gate Rental Rate</b>		<b><u>\$ 1,015,937</u></b>

**GATE RATES AND FEES**

Seattle-Tacoma International Airport

Calendar Year

		<b>Estimated 2013</b>
<b>COMMON USE GATE TURN FEE</b>		
Average Gate Cost		\$ 908,534
Number of Common Use gates		14
<b>Common Use Gate Requirement</b>	[G]	<b>\$ 12,719,482</b>
<b>Common Use Turns (4 Turns per day, 365 days per year)</b>		
Class 1 (Widebody, dual aisle aircraft)		8,310
Class 2 (Narrowbody, single-aisle, over 100 seats)		12,043
Class 3 (Regional and Commuter, aircraft with 100 or fewer seats)		87
		<u>20,440</u>
<b>Assumed Common Use Turns (4 Turns per day, 365 days per year, normalized)</b>		
	<b>Relativities</b>	
Class 1 (Widebody, dual aisle aircraft)	2.0	16,619
Class 2 (Narrowbody, single-aisle, over 100 seats)	1.0	12,043
Class 3 (Regional and Commuter, aircraft with 100 or fewer seats)	0.5	44
	[H]	<u>28,706</u>
<b>Normalized Average Common Use Gate Turn Fee</b>	<b>[G/H]</b>	<b>\$ 443.09</b>
<b>Per Turn Fees</b>		
	<b>Relativities</b>	
Class 1 (Widebody, dual aisle aircraft)	2.0	\$ 886.19
Class 2 (Narrowbody, single-aisle, over 100 seats)	1.0	\$ 443.09
Class 3 (Regional and Commuter, aircraft with 100 or fewer seats)	0.5	\$ 221.55
<b>Actual Common Use Turns</b>		
Class 1 (Widebody, dual aisle aircraft)		3,819
Class 2 (Narrowbody, single-aisle, over 100 seats)		5,535
Class 3 (Regional and Commuter, aircraft with 100 or fewer seats)		40
		<u>9,394</u>
<b>Common Use Gate Turn Fees</b>		
Class 1 (Widebody, dual aisle aircraft)		\$ 3,384,349
Class 2 (Narrowbody, single-aisle, over 100 seats)		2,452,523
Class 3 (Regional and Commuter, aircraft with 100 or fewer seats)		8,862
<b>Common Use Gate Turn Fees</b>	[I]	<b>\$ 5,845,735</b>
<b>Unrecovered Common Use Gate Requirement</b>	<b>[J=G-I]</b>	<b>\$ 6,873,748</b>

(a) Excluding Baggage Systems and Passenger Loading Systems.

Exhibit K.2

**BAGGAGE CLAIM RATE**  
 Seattle-Tacoma International Airport  
 Calendar Year

		<b>Estimated 2013</b>
Terminal Rental Rate for Group B		\$ 126.72
Square feet of Baggage Claim Area		<u>122,058</u>
	[A]	<u>\$ 15,466,735</u>
<b>Costs Allocable to the Common Use Baggage Claim System</b>		
<b>Capital Costs</b>		
Gross debt service		\$ 462,337
Less: PFC revenues		<u>(217,535)</u>
Debt service		\$ 244,802
Debt service coverage		-
Amortization		<u>310,209</u>
<b>Capital Costs</b>	[B]	<u>\$ 555,011</u>
<b>Operations and Maintenance Expenses</b>	[C]	<u>524,480</u>
	[D=B+C]	<u>\$ 1,079,491</u>
<b>Baggage Claim Requirement</b>	[A+D]	<u>\$ 16,546,226</u>
<b>10% of Baggage Claim Requirement to be allocated equally among all Signatory Airlines</b>		<u>\$ 1,654,623</u>
<b>90% of Baggage Claim Requirement to be divided by Deplaned Domestic Passengers</b>		<u>\$ 14,891,604</u>
Deplaned Domestic Passengers		<u>15,390,972</u>
<b>Baggage Claim charge per Deplaned Domestic Passengers</b>		<u><u>\$ 0.97</u></u>

Exhibit K.3

**BAGGAGE MAKE UP SYSTEM SPACE RATE AND FEES**

Seattle-Tacoma International Airport

Calendar Year

	<b>Estimated 2013</b>
<b>PREFERENTIAL BAGGAGE MAKE UP SYSTEM SPACE RENT</b>	
Terminal Rental Rate for Group B	\$ 126.72
 <b>COMMON USE BAGGAGE MAKE UP (BMU) SYSTEM SPACE FEE</b>	
Terminal Rental Rate for Group B	\$ 126.72
Square feet of Common Use BMU System Space	47,656
<b>Common Use BMU System Space Requirement</b>	<b>\$ 6,038,791</b>
Outbound Checked Bags processed on Common Use BMU Devices	1,489,214
 <b>Common Use Baggage Make up System Space Fee</b>	<b><u>\$ 4.06</u></b>

Exhibit K.4

**BAGGAGE MAKE UP SYSTEM FEES**  
 Seattle-Tacoma International Airport  
 Calendar Year

	<b>Estimated 2013</b>
	<u>                    </u>
<b>Capital Costs</b>	
Gross debt service	\$ 5,680,141
Less: PFC revenues	(2,672,573)
Debt service	<u>\$ 3,007,568</u>
Debt service coverage	-
Amortization	<u>3,811,144</u>
<b>Capital Costs</b>	[A] \$ 6,818,712
<b>Operations and Maintenance Expenses</b>	[B] <u>6,443,608</u>
<b>Baggage Make up (BMU) System Requirement</b>	[C=A+B] \$ <u>13,262,320</u>
<b>10% of BMU System Requirement to be allocated equally among all Signatory Airlines</b>	\$ 1,326,232
<b>90% of BMU System Requirement to be divided by Outbound Checked Bags processed on BMU System</b>	\$ 11,936,088
Outbound Checked Bags processed on BMU System	<u>10,986,544</u>
<b>Baggage Make up System Rate</b>	<u><u>\$ 1.09</u></u>



Exhibit K.5

**PREFERENTIAL USE TICKET COUNTER RENTAL RATE**  
 Seattle-Tacoma International Airport  
 Calendar Year

	<b>Estimated 2013</b>
Normalized Rental Rate for Group B	\$ 91.47
Square feet of <u>rentable</u> Ticket Counter Space	<u>48,600</u>
	<b>[A] \$ 4,445,668</b>
Baggage Make up Circulation Rate	\$ 35.24
Square feet of <u>rented</u> Ticket Counter Space	<u>43,627</u>
	<b>[B] \$ 1,537,486</b>
<b>Ticket Counter Requirement</b>	<b>[A+B] \$ 5,983,155</b>
Square feet of <u>rented</u> Ticket Counter Space	<u>43,627</u>
<b>Preferential Use Ticket Counter Rental Rate</b>	<b><u>\$ 137.14</u></b>

Exhibit K.6

**COMMON USE TICKET COUNTER RATE**  
Seattle-Tacoma International Airport  
Calendar Year

	<b>Estimated 2013</b>
Preferential Use Ticket Counter Rental Rate	\$ 137.14
Square feet of rented Common Use Ticket Counter Space	<u>7,819</u>
<b>Common Use Ticket Counter Requirement</b>	<b>\$ 1,072,324</b>
Common Use Ticket Counter hours of use	<u>76,751</u>
<b>Common Use Ticket Counter Rate</b>	<b><u><u>\$ 13.97</u></u></b>

Exhibit K.7

**NON-PUBLICLY ACCESSIBLE OFFICE SPACE RENTAL RATE**

Seattle-Tacoma International Airport

Calendar Year

	<b>Estimated 2013</b>
Normalized Rental Rate for Group C	\$ 45.74
Square feet of <u>rentable</u> Non-Publicly Accessible Office Space	<u>126,254</u>
[A]	<b>\$ 5,774,521</b>
Baggage Make up Circulation Rate	<b>\$ 35.24</b>
Square feet of <u>rented</u> Non-Publicly Accessible Offices Space	<u>69,543</u>
[B]	<b>\$ 2,450,808</b>
<b>Non-Publicly Accessible Office Requirement</b>	<b>[A+B] \$ 8,225,329</b>
Square feet of <u>rented</u> Non-Publicly Accessible Offices Space	<u>69,543</u>
<b>Non-Publicly Accessible Office Rental Rate</b>	<b><u>\$ 118.28</u></b>

Exhibit K.8

**CLOSED STORAGE SPACE RENTAL RATE**  
 Seattle-Tacoma International Airport  
 Calendar Year

	<b>Estimated 2013</b>
Normalized Rental Rate for Group D	\$ 22.87
Square feet of <u>rentable</u> Closed Storage Space	<u>44,937</u>
	[A] \$ <b>1,027,649</b>
Baggage Make up Circulation Rate	\$ 35.24
Square feet of <u>rented</u> Closed Storage Space	<u>22,752</u>
	[B] \$ <b>801,817</b>
<b>Closed Storage Requirement</b>	[A+B] \$ <b>1,829,466</b>
Square feet of <u>rented</u> Closed Storage Space	<u>22,752</u>
<b>Closed Storage Rental Rate</b>	<u><u>\$ 80.41</u></u>

Exhibit K.9

**PASSENGER LOADING BRIDGE FEES**  
 Seattle-Tacoma International Airport  
 Calendar Year

	<b>Estimated 2013</b>
	<u>                    </u>
<b>AVERAGE PASSENGER LOADING BRIDGE COST</b>	
<b>Capital Costs</b>	
Gross debt service	\$ 1,109,613
Less: PFC revenues	-
Debt service	<u>\$ 1,109,613</u>
Debt service coverage	-
Amortization	<u>282,018</u>
<b>Capital Costs</b>	[A] \$ 1,391,630
<b>Operations and Maintenance Expenses</b>	[B] <u>1,691,031</u>
	[C=A+B] \$ 3,082,661
Port-owned Loading Bridges	[D] <u>59</u>
<b>Average Passenger Loading Bridge Cost</b>	[E=C/D] \$ <u>52,248</u>
<b>PREFERENTIAL PASSENGER LOADING BRIDGE FEE</b>	
Average Passenger Loading Bridge Cost	\$ 52,248
<b>COMMON USE PASSENGER LOADING BRIDGE RATE</b>	
Average Passenger Loading Bridge Cost	\$ 52,248
Port-owned Passenger Loading Bridges serving Common Use Gates	<u>13</u>
	\$ 679,230
Turns on Gates with Port-Owned Passenger Loading Bridges (a)	<u>8,830</u>
<b>Common Use Passenger Loading Bridge Rate</b>	<u><u>\$ 76.92</u></u>

(a) Excludes Turns on Gate D-4, which Passenger Loading Bridge is owned by Alaska Airlines.

Exhibit L

**FIS RATE**  
 Seattle-Tacoma International Airport  
 Calendar Year

		<b>Estimated 2013</b>
		<u>                    </u>
<b>Capital Costs (a)</b>		
Gross debt service		\$ 2,798,731
Less: PFC revenues		<u>(217,535)</u>
Debt service		\$ 2,581,196
Debt service coverage		-
Amortization		<u>759,629</u>
<b>Capital Costs</b>	[A]	<u>\$ 3,340,825</u>
<b>Operations and Maintenance Expenses (a)</b>	[B]	<u>4,116,129</u>
Gross FIS Requirement	[C=A+B]	\$ 7,456,954
Less: Rental revenue of space in FIS Facility from government agencies		-
<b>FIS Requirement</b>		<u><b>\$ 7,456,954</b></u>
Deplaned International Passengers		<u>1,234,815</u>
<b>FIS Rate</b>		<u><b>\$ 6.04</b></u>

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(a) Includes the sum of Capital Costs and Operations and Maintenance Expenses allocable to the FIS Facility, the Common Use Baggage Claim Area serving the FIS Facility, and the Baggage Make up System and Common Use Baggage Claim System serving the FIS Facility.

# SEA - MAY 2014 GATE UTILIZATION

GATE	TOTAL OPERATIONS FOR MONTH OF MAY 2014	TOTAL OPS FOR SAMPLE WK. (5/12/14 - 5/18/14)
A-1	126	29
A-2	343	86
A-3	176	32
A-4	189	42
A-5	206	44
A-6	762	169
A-7	360	95
A-8	385	90
A-9	390	85
A-10	342	82
A-11	331	69
A-12	82	17
A-13	121	30
A-14	103	28
B-1	238	52
B-3	267	58
B-5	351	73
B-6	272	68
B-7	266	52
B-8	557	118
B-9	329	80
B-10	574	112
B-11	296	70
B-12	559	134
B-14	183	24
B-15	196	38
C-2B	272	65
C-2C	260	62
C-2D	117	28
C-2E	92	16
C-2F	237	49
C-2G	250	61
C-2H*	1111	259
C-2J	55	21
C-2K	191	35
C-2L	226	56
C-2M	207	49
C-2N*	636	153
C-6	6	1
C-8	2	0
C-9	420	101
C-10	379	89
C-11	429	96
C-12	266	72
C-14	27	7
C-15	450	104
C-16	223	56
C-17	418	92
C-18	413	95
C-20	433	102
D-1	236	46
D-2	186	41
D-3	158	30
D-4	168	37
D-5	315	76
D-7	388	86
D-8	459	104
D-9	103	24
D-10	104	19
D-11	103	24
N-1	449	101
N-2	416	100
N-3	436	98
N-6	467	95
N-7	466	100
N-8	468	116
N-9	417	91
N-10	432	99
N-11	422	96
N-12*	1030	221
N-12A	314	69
N-12B	243	53
N-12C	261	58
N-12D	288	59
N-12E	99	23
N-12F	3	0
N-14	443	101
N-15	403	88
N-16	355	84
S-1	131	28
S-2	232	37
S-3	231	62
S-4	133	35
S-5	280	58
S-6	212	48
S-7	127	43
S-8	237	59
S-9	235	53
S-10	155	36
S-11	143	33
S-12	152	27
S-15	141	29
S-16	125	29
<b>TOTAL</b>	<b>27,658</b>	<b>6,213</b>

**Port of Seattle**

**Seattle-Tacoma International Airport**

**OPERATING PERMIT**

**THIS OPERATING PERMIT** (“Permit”) made by and between the **PORT OF SEATTLE**, a municipal corporation of the State of Washington (“Port”), and \_\_\_\_\_ (“Operator”).

**RECITALS**

WHEREAS, the Port owns and operates Seattle-Tacoma International Airport (the “Airport”) situated in King County, State of Washington; and

WHEREAS, Operator is an air carrier certificated by the Secretary of Transportation under 49 U.S.C. § 41102, and engaged in the business of carrying passengers or air freight in scheduled or charter services; and

WHEREAS, Operator desires to operate at the Airport in connection with its business; and

WHEREAS, the Port is willing to permit Operator to operate at the Airport on the terms and conditions set forth below;

NOW, THEREFORE, for and in consideration of the terms and conditions contained herein, and other good and valuable consideration, the Port and Operator agree as follows:

**ARTICLE 1: BASIC DATA AND DEFINITIONS**

**1.1 Basic Data. Each reference in this Permit to any of the following subjects shall incorporate the information specified below:**

Port: Port of Seattle.

Port’s Overnight Delivery and Street Address: Attn: Manager, Aviation Properties, Mezzanine Level, 17801 Pacific Highway So. Seattle, WA 98158.

Port’s Post Office and Payment Address: P. O. Box 34249-1249, Seattle, WA 98124-1249

Operator: \_\_\_\_\_

Operator’s Overnight Delivery Address: \_\_\_\_\_



Operator's Post Office Delivery Address: *Same as above*

Commencement Date: *January 1, 2014.*

Term: The period of time beginning on the Commencement Date and continuing on a month-to-month basis unless earlier terminated pursuant to a provision of this Permit.

Security Deposit: \$ \_\_\_\_\_

The following terms shall have the following meanings wherever used in this Permit:

“Air Carrier” means a carrier certificated by the Secretary of Transportation under 49 U.S.C. § 41102 or 49 U.S.C. § 41103.

“Airfield” means the total area comprised of the Airfield Apron Area, Airfield Movement Area and Airfield Commercial Area.

“Airfield Apron Area” or “Apron” means the paved areas surrounding the Terminal used by Passenger Carriers, including taxi lanes used for circulation and ramp areas used for parking of aircraft and ground service equipment and the remote parking areas designated for Air Carriers, not including Airfield Commercial Area ramps and taxi lanes.

“Airfield Commercial Area” means the land, taxi lanes, ramps and facilities outside the Airfield Movement Area, Aprons and Terminal used primarily for cargo activities and aircraft maintenance.

“Airfield Movement Area” means all landing areas, runways, taxiways, adjacent field areas and related support facilities (e.g. field lighting, navigational aids and cart roads).

“Airport Tariff” means the Seattle - Tacoma International Airport Tariff No. 1, as may be amended, or other fee schedule as adopted by the Port during the Term of this Permit.

“Baggage Claim Areas” means the areas located in the Terminal where inbound baggage is unloaded and/or delivered to and claimed by arriving passengers..

“Baggage Make up Areas” means the areas located in the Terminal where outbound baggage is sorted for delivery to departing aircraft.

“Commercial Activity” means carrying on any business, commercial enterprise or other form of revenue producing activity on the Airport, including the sale of food and beverages to passengers at the Terminal or Gates.

“Common Use Facilities” means those facilities within the Terminal including

Common Use Gates and Common Use Ticket Counters that are made available by the Port to Operator and to one or more other Air Carriers.

“Common Use Gates” means the Gates designated by the Director to be used in common with other Air Carriers.

“Common Use Ticket Counters” means the space in the Terminal designated by the Director to be used in common with other Air Carriers for ticket counters and associated queuing space.

“Director” means the Managing Director, Aviation Division, of the Port or his/her successor.

“Facilities” means those areas and facilities of the Airport, including the Airfield, the Terminal and Public Areas which Affiliate is authorized to use on a common use, non-exclusive basis only pursuant to this Permit.

“Fees and Charges” means all applicable fees and other charges, including but not limited to, landing fees, Terminal rents including Common Use Gate charges, Common Use Ticket Counter charges, passenger loading bridges fees, ramp tower fees, Apron fees, charges for the use of the FIS Facility, Baggage Claim Area charges, Baggage Make up Area charges, charges for use of storage space, parking fees, signage fees, and such other fees and charges as set forth in the Airport Tariff.

“FIS Facility” means the Federal Inspection Services Facility located in the Terminal and is sometimes referred to as the “International Arrivals Facility.

“Gate” means those portions of the Terminal individually comprised of a passenger loading bridge, if any, and a passenger hold room.

“Gate Ramp” means the ramp area associated with each Gate.

“Landed Weight Report” means a report containing Operator’s monthly activity at the Airport including aircraft type, registration number and Maximum Gross Landed Weight.

“Maximum Gross Landed Weight” means the maximum weight in thousand pound units at which each aircraft operated by Operator is authorized by the FAA to land at the Airport.

“Port Passenger Processing Equipment” means equipment owned and installed by the Port for use in passenger processing, which may include all or some of, equipment casework, gate information displays (“GIDS”), boarding gate readers, passenger processing workstations, seating and self-service kiosks (for boarding passes and bag tagging).

“Public Areas” means sidewalks, concourses, corridors, lobbies, passageways,

restrooms, elevators, escalators and other similar space made available by the Port from time to time for use by passengers, Port and Air Carrier employees and other members of the public.

“Scheduled Airline” means an Air Carrier performing scheduled passenger service operations at the Airport.

“Scheduled Operation” means a Scheduled Airline’s operation (arrival or departure) that occurs pursuant to a schedule that is published in the Official Airline Guide (OAG) or any successor publication and that is also made available to the Port at least forty-five (45) days prior to the commencement of such operation.

“Terminal” means Gates, Ticket Counters, Baggage Claim Areas, Baggage Make up Areas, Security Checkpoint Areas, office space, storage areas, concourses, lobbies, VIP lounges, the FIS Facility, employee break rooms and Public Areas located within the “drip-line” of the passenger terminal building at the Airport. For purposes of this definition, the “drip-line” means the footprint (improved or unimproved) inside the outer limits of the passenger terminal building, which in all cases should not extend beyond the roof-drip line.

“Ticket Counters” means those areas made available by the Port for use by Air Carriers for ticketing passengers and similar activities, including curbside check-in positions and associated queuing space.

## **ARTICLE 2: GRANT OF PERMIT.**

For and in consideration of the fees and charges to be paid by Operator pursuant to **Article 4**, and subject to the provisions, covenants and agreements contained in this Permit, Operator shall, during the Term of this Permit, have the right, in common with others to land aircraft at or take off aircraft from the Airport in the operation of its business, and in connection therewith Operator may use certain Airport facilities, including runways, taxiways, Gate Ramp areas, apron areas, Gates, Terminal and Public Areas on a common use, non-exclusive basis only (such Airport facilities, collectively, the “Facilities”). The specific Facilities available for use by Operator and the time or times of such use shall be subject at all times to the exclusive control and management of the Port. The legal description of the Airport is attached hereto as **Exhibit A** and incorporated herein by this reference.

## **ARTICLE 3: USE OF AIRPORT**

3.1 **Limitations and Prohibitions on Use.** Operator shall not use the Facilities or cause or permit its employees or others to use the Facilities for any other purpose than specified in this Permit.

3.2 **Terminal.** Use of the Terminal by Operator shall be limited to the following activities:

3.2.1 The operation of an air transportation business for the carriage of persons, property, baggage, cargo, express and mail, including but not limited to the following categories of flights: revenue, training, test, inspection, emergency, charter and sightseeing.

3.2.2 The hiring and training of personnel in the employ of or to be employed by Operator, and the training of Operator's contractors.

3.2.3 The use of the Facilities in connection with or incidental to Operator's air transportation business, including the handling of reservations, the handling, ticketing and billing of passengers.

3.3 Gates. The use of Gates by Operator shall be limited to:

3.3.1 The ticketing, boarding, unboarding and billing of passengers, the use of the passenger holding areas as waiting areas for such passengers and the use of the Gate Ramp while the Gate is used by Operator; *provided*, that this provision shall not be deemed to authorize the sale of food and beverages to passengers at the Gate.

3.3.2 Operational staging of equipment for fueling, servicing, loading, or unloading and line maintenance of aircraft that can be completed during the time period associated with a Scheduled Operation, provided that:

(i) Nothing in this subsection shall be implied or construed to grant to Operator the right to store or park equipment on the Gate Ramp (other than as required for the regular servicing of aircraft at Gates); and

(ii) In addition to the line maintenance permitted under this subsection 3.3.2, at the Port's sole discretion and so long as it does not interfere with another Air Carrier's Scheduled Operations, the Port may permit Operator to perform emergency line maintenance of aircraft on the Gate Ramp.

3.4 Airfield. The use of the Airfield and related facilities by Operator shall be limited to the following activities:

3.4.1 The servicing by Operator or others of Operator's aircraft, including Operator's servicing of its code-share partners and affiliates, and other equipment by truck or otherwise, with gasoline, fuel, or other propellants, de-icing or other supplies including food and beverages required by Operator.

3.4.2 The landing, taking off, flying, taxiing, towing, parking, loading or unloading of Operator's aircraft.

3.4.3 The loading and unloading of any property, cargo, express mail, and carriage of employees, in properly designated facilities, by such motor vehicles or other manner of conveyance as Operator may require in the operation of an air transportation business.

3.4.4 The installation, maintenance and operation by Operator of aircraft air-conditioning equipment, auxiliary power, start-up and miscellaneous support equipment reasonably necessary for Operator's operations and not otherwise provided by the Port. Any such equipment not reasonably required shall be promptly removed by Operator.

3.5 Storage of Equipment. Operator shall not store or park equipment at the Airport other than in areas that Operator leases for such use.

3.6 Commercial Activity. Operator shall not undertake any Commercial Activity at the Airport, including in the Terminal and the Gates, other than as authorized in Article 3.

#### **ARTICLE 4: FEES AND CHARGES.**

4.1 Operator's right to conduct operations under this Permit is conditioned upon payment of all Fees and Charges applicable to its operations at the Airport, as set forth in this Article 4.

4.2 Operator shall pay to the Port all applicable Fees and Charges as set forth in the Airport Tariff. The Airport Tariff containing the Fees and Charges in effect on the Commencement Date is attached hereto and incorporated herein by this reference as **Exhibit B**. Operator understands and agrees that the Fees and Charges and **Exhibit B** are subject to periodic revision by the Port and notice of such revisions need not be given to Operator by the Port prior to such revisions becoming effective, *provided, however*, the Port agrees to advise Operator of such revisions without unreasonable delay.

4.2.1 Payment of Landing Fees. Operator shall provide to the Port by no later than the tenth (10<sup>th</sup>) day of each and every month Operator's Landed Weight Report for the preceding month. When remitting the Landed Weight Report to the Port as required in this subsection 4.2.1, Operator shall simultaneously pay to the Port the landing fees due for the preceding month. In the event Operator fails to provide to the Port the Landed Weight Report required under this subsection 4.2.1, the Port shall determine the landing fee payment due in accordance with the provisions of **Section 5.3** of this Permit.

4.2.2 Payment of Fees for Use of Facilities. The Port shall invoice Operator as of the twentieth (20<sup>th</sup>) day of each month for the actual charges associated with Operator's use of the Facilities during the prior month. Operator's payment of charges for the Facilities shall be due and payable upon Operator's receipt of the Port's invoice.

4.2.3 Passenger Facility Charges. The Port expressly reserves the right to impose passenger facility charges ("PFCs") in accordance with 49 U.S.C. § 40117 and applicable implementing regulations adopted by the Federal Aviation Administration ("FAA"), 14 CFR Pt. 158, as they may be amended from time to time (the "PFC Regulations"). Operator shall hold in trust for the Port the net principal amount of all PFCs that are collected by Operator or its agents on behalf of the Port pursuant to 49 U.S.C. § 40117 and the PFC Regulations. For purposes of this subsection 4.2.3, net principal amount shall mean the total principal amount of all PFCs that are collected by

Operator or its agents on behalf of the Port, reduced by any amount that Operator is permitted to retain pursuant to § 158.53(a) of the PFC Regulations. PFCs collected by Operator shall be remitted to the Port at its Payment Address or at such other place as the Director may from time to time designate in writing.

4.2.4 All payments of Fees and Charges required under this Permit shall be made to the Port at its Payment Address or at such other place as the Director may from time to time designate in writing. All amounts shall be paid in lawful money of the United States, free from all claims, demands, set-offs or counterclaims of any kind. Any amounts owed under this Article 4 that are not paid when due shall be subject to a service charge equal to the lesser of, the rate of one and one-half percent (1½ %) per month or the maximum rate permitted by law. The Port's acceptance of any payment under this Permit shall not constitute a waiver of Operator's default on the overdue amount or prevent the Port from exercising any of its rights and remedies under this Permit.

4.2.5 Fines. Upon demand from the Port, Operator shall pay promptly any and all fines assessed by the Port on Operator or Operator's employees for violations of the Airport's Rules and Regulations, subject to any applicable appeal provisions regarding the contesting of such fines. Such fines shall be considered an additional payment under **Article 4**.

## **ARTICLE 5: ACTIVITY REPORTS.**

5.1 Flight Information Management System. Operator shall provide the Port with the information for the Port's Flight Information Management System ("FIMS") by providing real time data output from Operator's internal flight information display system, computer reservations system, cargo load message transmission, ARINC or SITA transmissions, or other information systems (including commercial information systems) on a per flight basis. Operator's flight information shall be in a format prescribed by the Port and shall include, at least, the following information about Operator's operations and activities at the Airport. For each arriving flight: (a) flight number and Gate utilized, (b) aircraft registration number and aircraft type, (c) actual time of arrival at the Airport (wheels-on) and actual time of arrival at the Gate (aircraft parked at the Gate), (d) baggage claim number, (e) scheduled time of arrival, (f) estimated time of arrival, (g) aircraft parking position, (h) international or domestic flight indicator, (i) pre-cleared flight indicator, (j) code share information if applicable and (k) flight routing. For each departing flight: (a) flight number and Gate utilized, (b) aircraft registration number and aircraft type, (c) actual time of departure from Gate (aircraft pushback) and actual time of departure from Airport (wheels-off), (d) scheduled time of departure, (e) estimated time of departure, (f) aircraft parking position (g) code share information if applicable and (h) flight routing.

5.2 Reporting. Operator shall provide to the Port, on or before the 10<sup>th</sup> day of each and every month, an accurate summary report of Operator's operations at the Airport during the preceding month ("Monthly Activity Report"). Operator's Monthly Activity Report shall be in a format prescribed by the Port and shall include at least the following information: (a) the aircraft make, model and series, Maximum Gross Landed Weight

("MGLW"), seating capacity and configuration of every aircraft type operated by Operator at the Airport during the preceding month; (b) the total MGLW of all passenger aircraft and, separately, all cargo aircraft landing at the Airport; (c) the total number of domestic and international enplaned and deplaned passengers served by Operator at the Airport (including the breakdown of FIS Facility and non-FIS Facility deplaned passengers and revenue and non-revenue passengers); (d) the total amount (in pounds or kilograms) of domestic and international cargo and mail enplaned and deplaned by Operator at the Airport; (e) the total number of revenue and non-revenue aircraft operations; (f) total Operator use of Common Use Gates by date and time, including gate, aircraft type and registration (tail) number; and (g) total Outbound Checked Bags and Outbound Checked Bags delivered on the Common Use Baggage Make up System.

5.3 Airline Activity Management System. The Port is working to enhance the Airport's system for the collection of Operator-reported data. The Port expects the enhanced system will provide for the electronic collection of all Operator data required under this Section 5.2 and subsection 4.2.1 via the internet and/or other automated activity data sources ("Airline Activity Management System"). Operator agrees to collaborate with the Port in support of the development of the Airline Activity Management System and shall cooperate with the Port in testing and utilizing the Airline Activity Management System.

5.4 Failure to Report. If Operator fails to timely furnish the Port with any monthly activity reports required under Section 5.2 or subsection 4.2.1, whichever may be applicable, Operator's Fees and Charges due under this Permit shall be determined by assuming that Operator's activity in any month for which Operator has failed to report its activity equaled Operator's maximum activity during any of the previous twelve (12) months for which Operator submitted a Monthly Activity Report to the Port. Any necessary adjustments in Operator's Fees and Charges shall be calculated after an accurate report is delivered to the Port by Operator for the month in question. Resulting credits or debits shall be applied to the appropriate invoices in the next billing period.

## **ARTICLE 6: SECURITY DEPOSIT.**

Operator shall, simultaneously with its execution of this Permit, obtain and deliver to the Port at the address set forth in **Article 1**, a Security Deposit in the amount set forth in **Article 1** to secure Operator's full performance under this Permit, including the payment of all Fees and Charges now or in the future payable to the Port under this Permit. The amount, form, provisions and nature of the Security Deposit, including if appropriate the identity of the surety or other obligor thereunder, shall at all times be subject to the Port's approval. The Port may, upon reasonable notice, require Operator to increase its Security Deposit if the Port's estimate of the Fees and Charges owed by Operator increase, the Port's policies governing security deposits are amended to require an increase during the Term, or Operator has three (3) consecutive instances or five (5) instances in a period of twelve (12) months of late or delinquent payment of its obligations under the Permit. The Security Deposit shall be made in advance by cash, letter of credit, surety bond or other

instrument acceptable to the Port and shall remain in place at all times throughout the Term. The Port shall not pay interest on the Security Deposit, and the Port shall not be required to keep the Security Deposit separate from its other accounts. No trust relationship is created with respect to the Security Deposit. The Security Deposit is a part of the consideration for execution of this Permit. If Operator shall have fully performed all terms and conditions of this Permit, any cash deposit shall be paid to Operator within thirty (30) days following the termination of this Permit, without interest; otherwise the Port shall, in addition to any and all other rights and remedies available under this Permit or at law or equity, retain the Security Deposit. The Port may apply all or part of the Security Deposit to any unpaid sum due under this Permit. If the Port depletes the Security Deposit in this way, Operator shall restore the Security Deposit within ten (10) days after the receipt of the Port's written request to do so.

#### **ARTICLE 7: INDEMNIFICATION – LIABILITY INSURANCE**

7.1 Indemnification of Port by Operator. Except where, and to the extent, caused by the negligence or intentional wrongdoing of Port, its agents, employees, contractors, officers, directors or predecessors in interest, the Port and its officers, employees and agents, shall not be liable for any injury (including death) to any persons or for damage to any property regardless of how such injury or damage may be caused, sustained or alleged to have been sustained by Operator or by others, including but not limited to all persons directly or indirectly employed by Operator, or any agents, contractors, subcontractors, licensees and invitees of Operator, as a result of any condition (including existing or future defects at the Airport) or occurrence (including failure or interruption of utility service) whatsoever related in any way to Operator's operations at the Airport pursuant to this Permit. Operator agrees to defend (with counsel reasonably acceptable to the Port) and hold and save the Port harmless from all liability and expenses (including attorney's fees, costs, and all expenses of litigation) in connection with any such actual or alleged injury or damage, except where, and to the extent, caused by the negligence or intentional wrongdoing of the Port, its agents, employees, contractors, officers, directors or predecessors in interest. All indemnities provided in this Permit shall survive the termination of this Permit. Any final judgment rendered against the Port for any cause for which Operator is liable hereunder shall be conclusive against Operator as to liability and amount upon the expiration of the time for appeal therefrom. In any and all claims against the Port by any employee of Operator, the indemnification obligation of this Section 7.1 shall not be limited in any way by any limitation on the amount or type of damages or compensation benefits payable by or for Operator under applicable workers' or workmen's compensation, benefit, or disability laws (including, but not limited to, the Industrial Insurance laws, Title 51 of the Revised Code of Washington). OPERATOR EXPRESSLY WAIVES ANY IMMUNITY OPERATOR MIGHT HAVE HAD UNDER SUCH LAWS, AND, BY ENTERING INTO THIS PERMIT, ACKNOWLEDGES THAT THE FOREGOING WAIVER HAS BEEN MUTUALLY NEGOTIATED BY THE PARTIES.

7.2 Aviation General Liability Insurance. During the Term, Operator shall provide to the Port at the address set forth in **Article 1**, pay for and maintain with companies,



reasonably satisfactory to the Port, aviation commercial general liability insurance using a coverage form that includes liability for bodily injury and property damage arising out of Operator’s operations at the airport. The insurance policy shall include coverage for liability arising from premises, operations, products completed operations, and liability assumed under an insured contract. The Operator’s insurance shall be primary and non-contributory with respect to any insurance the Port carries and apply separately to each insured. Port shall be named as an additional insured and shall provide an appropriate endorsement to the Port that evidences this.

(The applicable limits on a combined single limit basis are noted below, based on Operator’s highest Maximum Gross Landed Weight:

<u>Maximum Gross Landed Weight</u>	<u>Minimum Single Limit</u>
0 to 15,000	\$50 Million per occurrence
Above 15,000 to 50,000	\$100 Million per occurrence
Above 50,000	\$300 Million per occurrence

and hereafter in such increased amounts or on such revised terms and conditions as the Port may from time to time specify, to indemnify both the Port and Operator against any liability or expense relating to this Permit. The liability insurance required by this Section 7.2 shall not contain a deductible or self-insured retention in excess of \$100,000 without the prior written approval of the Port.

7.3 Automobile Liability Insurance. During the Term, Operator shall provide to the Port at the address set forth in **Article 1**, pay for and maintain with companies reasonably satisfactory to Port, automobile liability insurance covering all owned, non-owned and hired automobiles, trucks and trailers in the minimum single limit of \$5 million per occurrence for operations outside the Air Movement Area and \$10 million per occurrence for operations inside the Air Movement Area and hereafter in such increased amounts or on such revised terms and conditions as the Port may from time to time specify. The Port shall be included by definition as an insured within the policy form, or shall be added as an as an additional insured on the policy by endorsement. The Operator may utilize the aviation general liability insurance required under Section 7.2 in lieu of a separate automobile liability policy if the aviation general liability policy includes coverage for automobiles that operate on the Airport Operations Area (movement and non-movement areas). The liability insurance required by this Section 7.3 shall not contain a deductible or self-insured retention in excess of \$100,000 without the prior written approval of the Port.

7.4 Evidence of Insurance. Operator shall deliver, or cause to be delivered, to the Port, certificates of insurance, additional insured endorsements, waivers of subrogation and any other documentation or endorsement that provides evidence of the insurance required by this Section.

7.4 Cancellation/Non-Renewal. Insurance is to remain in effect and current throughout the term of the Permit. Should any insurance required herein be terminated, cancelled, or not renewed, the Operator will have five (5) days to obtain replacement insurance from the date of the termination, cancellation or non-renewal notice Operator receives from their insurer(s)

7.5 Other Forms of Insurance. Operator shall also obtain all other forms of insurance required for its particular use of the Airport or as required by law.

7.6 Excess Policies of Insurance. To the extent that Operator relies on excess or “umbrella” policy of insurance to satisfy the requirements of this Section, any such policy shall be no less broad than the underlying policy, shall have the same inception and expiration dates as the underlying policy, and shall include a drop-down provision.

7.7 Deductibles and Retentions. All deductibles and self-insured retentions shall be paid by, assumed by, for the account of, and at Operator's sole risk.

7.8 Additional Insurance. In the event of cancellation of any required insurance at any time during the Term, or any change not reasonably acceptable to the Port, including an erosion in available limits below those specified in this Article 7, the Port reserves the right, after consultation with Operator, to provide additional insurance and charge the cost of any premiums for such coverage to Operator. The Port’s right under this Section 14.5 includes, but is not limited to, the Port purchasing higher limits for its own insurance program to account for erosion in limits by Operator.

7.9 No Representation of Adequacy. The Port makes no representation that limits or forms of insurance coverage specified or required under this Permit are adequate to cover Operator's property or Operator's liabilities or obligations under this Permit.

7.10 Port’s Right to Request Information from Insurance Company. If at any time the Port requests a written statement from the insurance company as to any impairments to the aggregate limit, Operator shall promptly authorize and have delivered such statement to the Port. Operator authorizes the Port and its insurance consultant to confirm with Operator's insurance agents, brokers and/or insurance companies all information furnished the Port, as to Operator’s compliance with the Port’s insurance requirements.

7.11 Increase in Cost of Insurance. Operator shall not use the Facilities in any manner not contemplated by this Permit so as to increase the existing rates of insurance applicable to the buildings or structures of which the Facilities are a part. If it nevertheless does so, then, at the option of the Port, the full amount of any resulting increase in premiums paid by the Port with respect to the buildings or structures of which the Facilities are a part, and to the extent allocable to the Term, shall be paid by Operator to the Port.

## **ARTICLE 8: WAIVER OF SUBROGATION**

The Port and Operator (for themselves and on behalf of anyone claiming through or under them by way of subrogation or otherwise) hereby release each other from liability and waive all right of recovery against each other on account of any loss arising out of or incident to the perils required to be insured against under this Permit to include loss to real or personal property located anywhere on or about the Airport from perils which can be insured against under a standard form commercial property or fire insurance policy (specifically including hull insurance or the like) with extended perils coverage endorsements generally available in Washington at the time the loss occurs. The effect of the release and waiver of the right to recover damages shall not be limited by whether the

party incurring the loss has actually obtained such insurance, by the amount of insurance carried, or by any deductibles applicable thereto. If a party's applicable insurance policies do not allow the insured to waive the insurer's rights to recovery, the party shall cause each insurance policy to be endorsed to allow the waiver of subrogation required by this Section

#### **ARTICLE 9: TAXES**

Operator recognizes and understands that this Permit may create an interest subject to property taxation, including state leasehold tax, and that Operator may be subject to the payment of property taxes levied on such interest. Operator shall be liable for, and shall pay throughout the Term, all taxes payable for, or on account of, the activities conducted by Operator on the Airport and all taxes on the personal property of Operator at the Airport and any taxes on Airport property or on any property interest created by this Permit and any taxes levied in lieu of a tax on any such property interest and any taxes levied on, or measured by, the Fees and Charges payable under this Permit, whether imposed on Operator or on the Port. Operator shall reimburse the Port for all such taxes paid or payable by the Port. With respect to any such taxes payable by the Port that are levied on, or measured by, the Fees and Charges payable under this Permit, Operator shall pay to the Port with each payment an amount equal to the tax levied on, or measured by, that particular payment. All other tax amounts for which the Port is or will be entitled to reimbursement from Operator shall be payable by Operator to the Port at least fifteen (15) days prior to the due dates of the respective tax amounts involved, provided that Operator shall be entitled to a minimum of ten (10) days written notice of the amounts payable by it.

#### **ARTICLE 10: AUDITS**

10.1 Operator shall maintain separate and accurate daily records of Operator's operations at the Airport for a period of three (3) years after the close of each calendar year throughout the Term, *provided*, however, that in the event the Port gives Operator written notice of a claim for payment under this Permit, Operator shall retain all of its records relating to its daily operations at the Airport that might pertain to the claim until the claim has been finally resolved. This record-keeping obligation shall survive the expiration or termination of this Permit. All such books and records shall be kept in accordance with generally accepted accounting principles, consistently applied, showing in detail all business done or transacted in, on, about or from or pertaining to the Airport, and shall be sufficient to permit the Port to calculate and verify the Fees and Charges due under this Permit. Upon the Director's written request, Operator shall make available to the Port or its auditors any and all books, records and accounts pertaining to its operations under this Permit. If the requested books, records and accounts are not made available at the Airport, and the Port or its auditors are required to travel elsewhere to review them, the Port may require that Operator reimburse the Port for the reasonable costs of such review of Operator's books, records and accounts.

## **ARTICLE 11: UTILITIES**

11.1 Reservations by Port. It is understood and agreed that the Port reserves and retains the right with reasonable advance notice to Operator to construct, reconstruct, install, repair, remove, renew, operate and use pipelines, utility lines, roadways or structures for Airport purposes anywhere within the Airport, provided that any such activities by the Port shall not have a substantial and material adverse effect on Operator's operations at the Airport or its rights hereunder.

### 11.2 Utilities.

11.2.1 The Port shall provide the following utility services to the Facilities in reasonable amounts and at pressures appropriate for Operator operations: water, electricity, fire suppression systems, sewage outlets, heating, ventilation and air conditioning. The Port shall determine the points in the Facilities where such services will be made available to Operator. Any additional utility services requested by Operator and not otherwise provided by the Port shall be provided only with the Port's approval and shall be subject to separate tariffs.

11.2.2 Except where, and to the extent, caused by the negligence or intentional wrongdoing of Port, its agents, employees, contractors, officers, directors or predecessors in interest, Operator expressly waives any and all claims against the Port for damages arising or resulting from failures or interruptions of utility services or any failure of performance by an independent party providing utility services to the Facilities, including electricity, gas, water, plumbing, sewage, telephone, communications, heat, ventilation, air conditioning, or for the failure or interruption of any public or passenger conveniences.

## **ARTICLE 12: ALTERATIONS, MAINTENANCE, REPAIR AND SIGNAGE**

12.1 Port Right to Alter Airport. Operator acknowledges and agrees that the Port shall have the right at all times to change, alter, expand or contract the Airport and that the Port has made no representations, warranties or covenants to Operator regarding the design, construction, pedestrian traffic, or views of the Airport.

12.1.1 The Port reserves the right to install Port Passenger Processing Equipment at all Gates. The Port shall maintain Passenger Processing Equipment the Port installs, consistent with standards published by the Port in its Airport Rules and Regulations. 12.2

No Alterations or Improvements. Operator shall not make any repairs, changes, alterations, improvements or modifications to the Facilities.

### 12.2 Port Maintenance and Repair Obligations.

12.2.1 Operator specifically acknowledges and agrees that the Port is permitting the use of the Facilities by Operator on an "as is with all faults" basis and that Operator is not relying on any representations or warranties of any kind whatsoever, express or implied, from the Port, as to any matters concerning the Facilities.

12.2.2 The Port agrees to keep, operate and maintain the Facilities, including its foundation, structure, outside walls, roof and utility systems. The Port will also keep and maintain (i) all fixtures, furnishings, equipment and carpeting or other floor coverings located in the Facilities in a neat, clean and operating condition, replacing all worn-out fixtures, furnishings, carpeting and other floor coverings, machinery and equipment as may be required. Janitorial services, carpet cleaning, maintenance and repair and window washing on the Facilities will be furnished by the Port.

12.3.3 Gate Ramp Maintenance. The Port agrees to provide striping and maintain the Industrial Waste System on the Gate Ramp. The Port shall also keep, operate and maintain the concrete infrastructure and structural integrity of the Gate Ramp.

12.3 Signage. Operator shall not install any signage on the Facilities, including Operator's branded signage. The Port shall, in its sole discretion, determine the type of signage it will authorize for installation in the Facilities, as well as the fees that it will charge Operator for the costs associated with any such Operator specific or branded signage.

12.4 Obligations of Operator. Operator agrees to keep the Facilities, including the fixtures and equipment, in a clean, neat, safe, and sanitary condition, and in good order, at all times during Operator's use of the Facilities, except for damages or loss due to reasonable wear and tear, fire or other casualty or other cause beyond Operator's control. Operator shall not store nor allow accumulation of trash or debris on any portion of the Facilities, nor use the trash containers provided by the Port for use by the general public.

### **ARTICLE 13: ENVIRONMENTAL STANDARDS**

13.1 Definitions. For purposes of this Article 13, the following terms shall have the following meanings:

13.1.1 "Environmental Law" means any environmentally related state or federal law, regulation, ordinance, permit or order (including without limitation any final order of any court of competent jurisdiction), now or hereafter in effect.

13.1.2 "Hazardous Substances" means any substance or material defined or designated as a hazardous waste, toxic substance, or other pollutant or contaminant by any Environmental Law.

13.1.3 "Release" means any spilling, leaking, pumping, pouring, emitting, discharging, leaching, dumping or disposing into or on any property or the environment. Petroleum spills of less than five (5) gallons are excluded unless water or soil are impacted.

13.2 Restriction on Hazardous Substances. Operator shall not allow the presence or Release on the Airport of any Hazardous Substance that is in violation of any Environmental Law. Operator shall not allow any Hazardous Substances first Released during the Term to migrate off the Airport or allow the Release of any Hazardous

Substances into adjacent surface waters, soils, underground waters or air in violation of any Environmental Law. At the reasonable written request of the Port, Operator shall provide the Port with Operator's USEPA Waste Generator Number. Operator shall immediately notify the Port in writing should Operator become aware of: (1) any Release of any Hazardous Substances or the occurrence of any other environmental problem or liability with respect to the Airport or any real property adjoining or in the vicinity of the Airport; (2) any notice given to Operator from any third party with respect to any Release or threat of Release of any Hazardous Substances; or (3) the commencement of any litigation or any information relating to any threat of litigation relating to any alleged unauthorized Release of any Hazardous Substances or other environmental contamination, liability or problem with respect to the Airport. In addition to any remedy provided in this Permit, the Port shall be entitled to full reimbursement from Operator whenever the Port incurs any reasonable costs directly attributable to Operator's use or management of Hazardous Substances at the Airport, including but not limited to, costs of clean-up or other remedial activities, fines or penalties assessed directly against the Port, and injuries to third persons or other properties.

13.3 Compliance and Remediation. Operator shall at all times conduct its business at the Airport in compliance with all applicable Environmental Laws and if Operator or the Facilities is in violation of any Environmental Law concerning the presence, use, Release or threat of Release of Hazardous Substances or any other Environmental Law (whether or not pertaining to Hazardous Substances), Operator shall promptly take such action as is reasonably necessary to remedy and cure the violation.

13.4 Port Remedies. If Operator, or the Facilities because of actions that occur during the Term, is in violation of any Environmental Law concerning Hazardous Substances and Operator does not act promptly to take such action as is reasonably necessary to remedy and cure the violation, the Port has the right, but not the obligation, to come onto the Facilities, to act in place of Operator (Operator hereby appoints the Port as its agent for such purposes) and to take such action reasonably necessary to cure the violation. If the Port has a reasonable belief that Operator's actions or inactions present a threat of violation or a threat of damage to the Facilities, the Port reserves the right to enter onto the Facilities and take such corrective or mitigating action as the Port deems reasonably necessary. All reasonable costs and expenses incurred by the Port in connection with any such actions shall become due and payable by Operator thirty (30) days after presentation of an invoice to the extent caused by Operator's violation of Environmental Law.

13.5 Access to Facilities. The Port retains the right to access the Facilities at any time to conduct environmental inspections and testing. The Port shall conduct the inspection in a manner that does not unduly interfere with Operator's operation..

13.6 Environmental Indemnity Without limiting any indemnities provided in this Permit for other than environmental matters, and except for Excluded Environmental Claims, as hereinafter defined, Operator agrees to defend, indemnify and hold the Port free and harmless from any and all claims, causes of action, regulatory demands,

liabilities, fines, penalties, losses, and expenses, including without limitation clean-up or other remedial costs (and including actually incurred reasonable attorneys' fees, costs and all other reasonable litigation expenses when incurred and whether incurred in defense of actual litigation or in reasonable anticipation of litigation), arising from the existence or discovery of any Hazardous Substance on the Facilities or at the Airport, or the Release of any Hazardous Substance from the Facilities to other properties or into the surrounding environment or from any other violation of Environmental Law, whether made, commenced or incurred during the Term, or made, commenced or incurred after the expiration or termination of this Permit, directly attributable to Operator's actions during the Term. For purposes of this Section 13.6, "Excluded Environmental Claims" shall mean, any claims, causes of action, demands, liabilities, fines, penalties, costs, expenses or any other liabilities, to the extent caused by or arising from (A) the migration of Hazardous Substances not first Released during the Term; and (B) the movement of Hazardous Substances first Released outside the Facilities onto or under the Facilities due to leaching or the flow of groundwater, provided that Operator is not otherwise responsible for the off-Facilities Release that introduced the migrating Hazardous Substances into the environment.

#### **ARTICLE 14: COMPLIANCE WITH LAWS**

14.1 General Laws. At all times, Operator shall, with respect to its operations at the Airport, comply with all applicable present and future federal, state and local laws, rules, regulations and ordinances, as they may be amended from time to time, whether foreseen or unforeseen, ordinary as well as extraordinary, including without implied limitation those relating to (a) health and safety; (b) the environment; and (c) disabled access, including the Americans with Disabilities Act, 42 U.S.C. §§ 12101 et seq.

14.2 Airport Rules and Regulations. Operator's use of the Facilities and all other areas of the Airport authorized under this Permit, shall be subject to such Airport Rules and Regulations as are now or may in the future be adopted by the Port, provided that such Rules and Regulations do not conflict with applicable provisions of state or federal law.

#### **ARTICLE 15: DISCRIMINATION**

15.1 Federal Nondiscrimination Regulations. Operator understands and acknowledges that the Port has given to the United States of America (the "Government"), acting by and through the FAA, certain assurances with respect to nondiscrimination, which have been required by Title VI of the Civil Rights Act 1964 and by 49 CFR Part 21 as a condition precedent to the Government making grants in aid to the Port for certain Airport programs and activities, and that Port is required under those regulations to include in every agreement pursuant to which any person or persons other than the Port operates or has the right to operate on the Airport providing services to the public, the following covenant, to which Operator agrees:

Operator, in its operation at and use of Airport, covenants that

15.1.1 No person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities;

15.1.2 In the construction of any improvements on, over, or under such land and the furnishing of services thereon, no person on the grounds of race, color, or national origin shall be excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination;

15.1.3 It shall use the Facilities in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation Effectuations of Title VI of the Civil Rights Act of 1964, and as that regulation may be amended.

Operator further agrees promptly to provide the Port, upon written request by the Port, such information the Port is required to obtain from Operator to show compliance with applicable nondiscrimination laws.

15.2 Affirmative Action. Operator assures that it will undertake an affirmative action program if required by 14 CFR Part 152, Subpart E, to ensure that no person shall on the grounds of race, creed, color, national origin, or sex be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. Operator assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. Operator assures that it will require that its covered sub organizations provide assurances to Operator that they will require assurances from their sub organizations, if required by 14 CFR Part 152, Subpart E, to the same effect.

#### **ARTICLE 16: ASSIGNMENT**

Operator shall not assign or transfer this Permit or any interest therein, nor shall this Permit or any interest thereunder be assignable or transferable by operation of law or by any process or proceeding of any court, or otherwise, without the prior written consent of the Port.

#### **ARTICLE 17: DEFAULTS**

Time is of the essence of this Permit. In the event of the failure of Operator to pay the Fees and Charges provided for in this Permit at the time and in the manner specified in **Article 4**, or to keep any of the covenants or agreements herein set forth to be kept and performed, the Port may immediately terminate this Permit without notice to Operator. Payment by Operator to the Port of interest on Fees and Charges due and owing under this Permit shall not cure or excuse Operator's default in connection with such Fees and Charges. Interest, default and all other remedies of the Port hereunder are cumulative and not alternative.



## ARTICLE 18: TERMINATION

18.1 Termination. Either party may terminate this Permit at any time by providing not less than thirty (30) days prior written notice to the other party, in which event this Permit shall terminate on the termination date provided in such notice.

18.2 Survival of Obligations. If this Permit is terminated, Operator shall remain liable for indemnification under this Permit, and for any and all Fees and Charges and damages which may be due to the Port or sustained by the Port as a result of Operator's operations at the Airport, and all costs, fees and expenses (including, without limitation, reasonable attorneys' and experts' fees and other expenses) incurred by the Port in pursuit of its remedies hereunder.

18.3 Termination for Government Use. In the event that any federal, state or local government or agency or instrumentality thereof shall, by condemnation or otherwise, take title, possession or the right to possession of the Facilities or any part thereof, the Port may, at its option, terminate this Permit as of the date of such taking, and, if Operator is not in default under any of the provisions of this Permit on said date, any Fees and Charges prepaid by Operator shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Operator.

18.4 Termination Because of Court Decree. In the event that any court having jurisdiction in the matter shall render a decision which has become final and which will prevent the performance by the Port of any of its obligations under this Permit, then either party hereto may terminate this Permit by written notice, and all rights and obligations hereunder (with the exception of any undischarged rights and obligations that accrued prior to the effective date of termination) shall thereupon terminate. If Operator is not in default under any of the provisions of this Permit on the effective date of such termination, any Fees and Charges prepaid by Operator shall, to the extent allocable to any period subsequent to the effective date of the termination, be promptly refunded to Operator.

## ARTICLE 19: MISCELLANEOUS

19.1 Notices. All notices and payments under this Permit may be delivered or mailed at the addresses set forth in **Section 1.1**, or to such other respective addresses as either party hereto may hereafter from time to time designate in writing. Notices and payments sent by certified or registered mail shall be deemed to have been given on the day next following the date of mailing, if properly mailed, and the postmark affixed by the United States Postal Service shall be conclusive evidence of the date of mailing.

19.2 Invalidity of Particular Provisions. If any term or provision of this Permit or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Permit or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and shall continue in full force and effect.

19.3 Nonwaiver. The acceptance of Fees and Charges by the Port for any period or periods after a default by Operator under this Permit shall not be deemed a waiver of such default unless the Port shall so intend and shall so advise Operator in writing. No waiver by the Port of any default under this Permit by Operator shall be construed to be or act as a waiver of any subsequent default by Operator.

19.4 Captions. The captions in this Permit are for convenience only and do not in any way limit or amplify the provisions of this Permit.

19.5 Entire Agreement - Amendments. This Permit constitutes the entire agreement between the Port and Operator with regard to its subject matter, and the parties hereby confirm and agree that any and all prior agreements between them concerning the same have been or are hereby superseded. No modification or amendment of this Permit shall be valid or effective unless evidenced by an agreement in writing.

19.6 Construction. This Permit shall be deemed to be made in and construed in accordance with laws of the State of Washington.

19.7 Successors and Assigns. All of the covenants, stipulations and agreements in this Permit shall extend to and bind the successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Permit in duplicate by their duly authorized officers on the date specified above.

PORT: **PORT OF SEATTLE**

a municipal corporation of the State of Washington

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

OPERATOR: \_\_\_\_\_.

a \_\_\_\_\_ Corporation

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the \_\_\_\_\_ of the \_\_\_\_\_, a corporation of the State of \_\_\_\_\_, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed my official seal the day and year first above written.

\_\_\_\_\_  
Notary Public in and for the State of  
Washington, residing at \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_.

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KING )

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the \_\_\_\_\_ of the PORT OF SEATTLE, a municipal corporation of the State of Washington, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed my official seal the day and year first above written.

\_\_\_\_\_  
Notary Public in and for the State of  
Washington, residing at \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_.



**License to Operate  
Seattle-Tacoma International Airport (“Airport”)**

The Port of Seattle (“Port”), a municipal corporation of the State of Washington, hereby grants to \_\_\_\_\_ (“Licensee”), a \_\_\_\_\_ of the State of \_\_\_\_\_, a non-exclusive, revocable License to Operate (“License”) for the purpose of providing aircraft ground handling services as defined below. The following terms apply to this License:

**1. Term:**

This License shall be valid for a period of one (1) year commencing \_\_\_\_\_ through \_\_\_\_\_.

**2. License Fee:**

- A. Upon execution of License, Licensee shall pay to the Port a non-refundable License Fee of One Thousand Dollars (\$1,000.00).
- B. Licensee shall be liable for, and shall pay throughout the terms of this License, any and all taxes payable for, or on account of, the activities conducted by Licensee pursuant to this License and/or any taxes levied on, or measured by, the fees payable hereunder, whether imposed on Licensee or on the Port.

**3. Certification of Tenant Support:**

Licensee must demonstrate a need for the License by providing a letter of support (“Certification of Tenant Support”) from an Airport tenant holding a current Lease Agreement, or an airline Operating Permit or Signatory Agreement with the Port prior to granting of the License. The letter shall include a list of services provided, the length of the contract and/or project and, when applicable, authorization to park/store equipment in the tenant’s leased area. Said Certification of Tenant Support shall be included with the application and attached to this License as Exhibit A.

**4. License Area:**

Those portions of the Air Operations Area (“AOA”), as defined in the Airport’s Schedule of Rules & Regulations #4, designated as ground support areas for aircraft servicing. The Port shall have the right to use the License Area for whatever purpose it may desire and in accordance with the provisions of this License.

**5. Permitted Uses:**

Licensee’s permitted uses under this License shall only be for the purpose of providing aircraft ground handling services within the AOA, including ingress, egress and movement. “Aircraft Ground Handling Services” constitute the following: loading/unloading aircraft cargo, baggage, or mail; aircraft movement and/or aircraft maintenance; interior aircraft cleaning; and aircraft water, lavatory, fueling, and deicing services. Licensee must obtain prior written approval from the Port before conducting any activity other than the uses permitted under this License. **Ground Service Equipment parking/storage is not allowed in the License area unless written authorization is obtained in the Certification of Tenant Support (see Section 3).** In the event Licensee’s authorization to park/store its equipment in a tenant’s leased area terminates prior to the expiration of the Term of this License, Licensee must

immediately request equipment parking/storage space from the Port and, if the Port determines that it has space available then Licensee shall enter into a month-to-month space lease and pay the current fees for equipment parking/storage space. If the Port determines space is not available for Licensee to park/store its equipment, this License shall immediately terminate, unless Licensee provides evidence that it has obtained parking/storage space from another tenant with a new Certification of Tenant Support.

**6. Utilities:**

Licensee shall be responsible for all utilities, if any, consumed by its equipment during the Term of this License.

**7. Indemnification:**

- A. The Port, its employees and agents shall not be liable for any injury (including death) to any persons or for damage to any property regardless of how such injury or damage be caused, sustained or alleged to have been sustained by Licensee or by others, including but not limited to all persons directly or indirectly employed by Licensee, or any agents, contractors, subcontractors, licensees, or invitees of Licensee, as a result of any condition (including existing or future defects in the License Area) or occurrence (including failure or interruption of utility service) whatsoever related in any way to Licensee's use of the License Area and the areas adjacent thereto, or related in any way to Licensee's activities under this License. Licensee agrees to defend, indemnify, and hold and save the Port harmless from all liability or expenses (including attorneys' fees, costs, and all expenses of litigation) in connection with any such items of actual or alleged injury or damage, except when such injury or damage is caused by the sole negligence of the Port. Licensee expressly agrees that its duty to defend and indemnify the Port includes negligent acts which are concurrent, contributory, or both by the Port, resulting in said damage or injury. However to the extent this License is construed to be subject to RCW 4.24.115, and where the injury or damage arises from the concurrent negligence of the Port and Licensee, Licensee's indemnity will only extend to its negligence.
- B. In any and all claims against the Port by an employee of Licensee, the indemnification obligation of subparagraph A of this paragraph shall not be limited in any way by any limitation on the amount or type of damages or compensation benefits payable by or for the Licensee under applicable workers' or workmen's compensation, benefit, or disability laws (including, but not limited to, the Industrial Insurance laws, Title 51 of the Revised Code of Washington). LICENSEE EXPRESSLY WAIVES ANY IMMUNITY LICENSEE MIGHT HAVE HAD UNDER SUCH LAWS, AND, BY AGREEING TO ENTER INTO THIS AGREEMENT, ACKNOWLEDGES THAT THE FOREGOING WAIVER HAS BEEN MUTUALLY NEGOTIATED BY THE PARTIES.

**8. Insurance:**

Licensee shall throughout the Term of this License, at its own cost and expense, procure and maintain in full force and effect insurance with respect to Licensee's business, the License Area, and all activities, on or about or in connection with the Airport or performance of this License in accordance with the Insurance Requirements, incorporated herein and attached as Exhibit B.

**9. Compliance with Laws and Airport Rules and Regulations:**

Licensee shall, at its sole cost and expense, use and/or operate at the Airport solely: (i) in the manner contemplated by this License, (ii) in an orderly manner so as to avoid unreasonably interfering with or

interrupting the normal business operations and quiet enjoyment of the other tenants and customers on the AOA or adjoining properties, (iii) in full compliance with all applicable federal, state, and local laws and regulations, including the Schedule of Rules and Regulations #4 for the Airport (which are posted on our website at: <http://www.portseattle.org/business/airport/index.shtml> under downloadable reports); and (iv) codes, specifically including those related to the protection of the environment and those promulgated by the Port for the general safety and convenience of its customers and the public. Further, Licensee shall obey and comply with any and all Ground Service Operational Standards (Exhibit C attached). Laws, Rules, Regulations, Codes, and Standards may be amended from time to time without notice. Licensee also shall, at its sole cost and expense, obtain any and all permits, licenses, and approvals that may be required in order to make lawful the Licensee's activities at the Airport.

**10. Nondiscrimination:**

Licensee agrees that it will comply with all applicable federal, state and local laws or regulations relating to the establishment of nondiscriminatory requirements in hiring and employment practices.

**11. Termination:**

Notwithstanding any specific term set forth in this License, the Port may terminate this License in advance of its expiration date, in its sole discretion and for any reason whatsoever, effective upon delivery of written notice to Licensee. License Fee or any portion thereof is non-refundable.

**12. Assignment:**

License is not assignable or transferable. Any such prohibited transfer/assignment shall result in immediate termination of License.

**13. Other Obligations of Licensee:**

- A. Licensee understands that failure to comply with Airport Rules and Regulations may result in violations and/or fines imposed by the Port and/or the Federal Aviation Administration ("FAA") which will be passed on to the Licensee, in addition to any enforcement action taken under the provisions of the enforcement section of the Airport Rules and Regulations.
- B. Licensee shall, at its sole expense, repair or replace, at the Port's option, all personal property of the Port that is damaged by Licensee's activities.

**14. Liens and Encumbrances:**

Licensee shall keep the License Area free and clear of any liens and encumbrances arising out of the Licensee's activities pursuant to this License. At the Port's request, Licensee shall furnish the Port with written proof of payment of any item, which would or might constitute the basis for such a lien on the License Area if not paid.

**15. Notices:**

All notices hereunder may be delivered or mailed. If mailed, they shall be sent to the following respective addresses:

To Port:  
Port of Seattle  
Attn: Aviation Bus Dev/Properties  
PO Box 68727  
Seattle, WA 98168-0727

To Licensee:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

or to such other respective addresses as either party hereto may hereafter from time to time designate in writing.

**16. Invalidity of Provisions:**

In the event any section or sections or any part of any section of this License shall be found invalid for any reason, the remainder shall not thereby be invalidated but shall remain in full force and effect.

**17. Entire Agreement.**

This License sets forth all covenants, promises, agreements, conditions and understandings between the Port and Licensee concerning the License Area, and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between the Port and Licensee other than as set forth in this Agreement. No subsequent alteration, amendment, change or addition to this Licensee shall be binding upon the Port or Licensee unless reduced to writing and signed by both parties.

PORT OF SEATTLE

LICENSEE

By: \_\_\_\_\_  
(Signature)

By: \_\_\_\_\_  
(Signature)

Its: \_\_\_\_\_

Its: \_\_\_\_\_

Print: \_\_\_\_\_

Print: \_\_\_\_\_





**EXHIBIT A**  
**Certification of Tenant Support**

**EXHIBIT B**  
**Insurance Requirements**

- A. Licensee at Licensee's own expense shall procure and show evidence of the insurance which is to be kept in force for the Term of this License.
- i. Insurance shall be procured from insurance carriers with a current A.M. Best's rating of no less than "A Minus FSC VI" or higher.
  - ii. Licensee shall submit to the Port a Certificate of Insurance and Additional Insured Endorsements (where specified below) which shows that it has obtained the required coverage(s). Certificates of Insurance shall list each deductible or retention for each line of required insurance coverage.
  - iii. Any insurance deductible or retention that exceeds \$250,000 must be disclosed to the Port and the Port must approve in writing the deductible or retention. Any insurance deductible or retention that equals or exceeds \$ 1 Million dollars is considered a form of self-insurance which requires separate written approval from the Port. See Section "D" below.
  - iv. Coverage shall not lapse or be terminated without the Licensee's or Licensee's insurance agent or broker written notification to the Port, no less than thirty (30) days prior to any such lapse or termination. Licensee additionally agrees to notify the Port upon any material change of insurance coverage or reduction in limits
  - v. Licensee shall submit endorsements or other supporting insurance documents, including insurance binders along with the Certificate of Insurance. Licensee shall provide evidence of insurance annually up until the License is terminated.
  - vi. Insurance procured by the Licensee shall contain no exclusions or restrictions to coverage for airfield or airport operations of the Licensee.
- B. Licensee shall procure and maintain insurance in the following minimum form and limits. The limits shall not be construed as to relieve the Licensee from liability in excess of the limits. The minimum limits indicated below do not indicate that the Port has assessed the risks that may be applicable to the Licensee under this License. Licensee may meet required insurance limits through a combination of primary and umbrella or excess insurance. Excess and coverage insurance must include the specific components of the underlying required coverage identified below including contractual liability coverage. Any insurance the Port may carry will apply strictly on an excess basis over any applicable insurance the Licensee may carry.
- i. Commercial General Liability insurance on ISO Form CG 00 01 10 01 (or equivalent) for third party property damage, bodily injury, personal and advertising injury, and medical payments in an amount which is not less than \$5,000,000 per occurrence and \$10,000,000 annual aggregate. The policy shall contain supplementary payments coverage that includes policy coverage for the cost to defend and indemnify the Port as an additional insured. The insurance shall cover liability arising from License Area, operations, independent licensors, products, completed operations, medical payments, personal and advertising injury, and liability assumed under a license. The Port shall be named as an additional insured for all work arising out of Licensees operations, including "on-going" and "completed operations" using ISO Endorsement Form CG 20 26 11 85 or an equivalent endorsement approved by the Port.
  - ii. Automobile Liability Insurance. Licensee shall provide business automobile insurance for all owned, non-owned, hired, leased, borrowed, or rented vehicles, including trailers, in an amount not less than \$10,000,000 per occurrence, combined single limit for bodily injury and property damage using ISO Form CA 00 01 (or equivalent). Licensee may

provide \$5 million per occurrence, combined single limit, in lieu of the \$10,000,000 per occurrence if written documentation is provided to the Port at License commencement and annually thereafter that states the Licensee will not drive any automobile into the movement area (MA) of the airfield at the Airport as defined in the Schedule of Rules & Regulations #4.

- a. A Waiver of Subrogation on ISO Form CG 24 04 (or equivalent) shall be provided to the Port. Licensee and its insurer shall waive all rights against the Port for the recovery of damages arising from an automobile incident that result from Licensee operations as defined in this License.
  - b. If Licensee operates automobiles that carry fuel in support of ground fueling operations on the AOA, Licensee shall be responsible for complying with Federal and State financial responsibility laws as they relate to transportation, hauling, storage, and transfer of hazardous materials, including obtaining a valid MCS 90 Motor Carrier Endorsement which shall be attached to Licensee's commercial auto liability policy.
- C. Employers Liability Insurance (Washington Stop Gap Liability). The Licensee shall provide Washington State Stop Gap employers' liability insurance. This shall be in an amount of \$ 1 million per accident and \$1 million per disease using ISO CG 04 42 11 03 or equivalent. This coverage may be provided by endorsing the primary commercial general liability policy.
- D. Self-Insurance - Any Company wishing to use a program of self-insurance to meet any or all of the required general liability and/or automobile liability insurance (excluding Industrial Insurance as defined in Title 51 of the Revised Code of Washington) must receive written approval from the Port prior to executing the License. Self-insurance as applicable to this License means that the Licensee is itself or through an owned insurance captive acting as though it were the insurance company providing the liability insurance required under the License, including self-insured retentions that equal or exceed \$ 1,000,000 (One Million Dollars). The Port agrees that it will reasonably consider any request by Licensee to use a program of self-insurance to meet up to \$2,000,000 (Two Million Dollars) per occurrence of the required insurance limits. Legal costs to defend and indemnify the Port as an additional insured for claims, or alleged claims, that fall under the deductible or retention amount shall be the responsibility of Licensee or Licensee's insurance carrier. Self-insurance, including captive programs, including retentions, above \$1,000,000 (One Millions Dollars) is not acceptable without the Port's review and approval Port. The Port's review shall include Licensee's financial ability to defend and indemnify the Port for claims or allegations of claims, including defense costs that fall within the self-insured retention or deductible amount.
- i. If Port agrees to Licensee's self-insurance program, Licensee agrees to waive any subrogation rights it may have against the Port for any and all claims it pays or is required to pay, due to loss or damage resulting from the risks for which Licensee has elected to self-insure.
  - ii. In the event that the Port permits Licensee to self-insure and an event or claim occurs for which a defense and/or coverage would have been available from the insurance company, Licensee shall specifically: (i) undertake the defense of any such claim, including a defense of the Port, at Licensee's sole cost and expense; and (ii) use its own funds to pay any claim or replace property or otherwise provide the funding which would have been available from insurance proceeds but for such election by Licensee's to self-insure.
- E. Licensee is fully responsible for providing evidence of current compliance with the Revised Code of Washington, Title 51 Industrial Insurance for Licensee and all sublicensees. Licensee shall submit a current employer liability certificate as issued by the Washington Department of

Labor and Industries that shows the status of Licensee's worker compensation account prior to commencing work on any portion of the License.

- F. Upon written request by the Port, the Licensee shall provide or otherwise make available to the Port at Licensee's expense, and within 15 days of the request, a copy of any insurance policy required under this License, including a copy of the policy declarations, binder, all endorsements, and any policy amendments.
- G. No Limitation of Liability. The limits of insurance required by this License or as carried by Licensee shall not limit the liability of Licensee nor relieve Licensee of any obligation hereunder.
- H. Waiver of Subrogation. Without affecting any other rights or remedies, Licensee (for itself and on behalf of anyone claiming through or under it by way of subrogation or otherwise) hereby waives any rights it may have against the Port, its officers, agents and employees (whether in license or in tort) on account of any loss or damage occasioned to Licensee arising out of or incident to the perils required to be insured against within the License. Accordingly, Licensee shall cause each insurance policy required by License to further contain a waiver of subrogation clause. The effect of such release and waiver of the right to recover damages shall not be limited by the amount of insurance carried or required or by any deductibles applicable thereto.
- I. Licensee Responsible for Deductibles and Retentions. Licensee is solely responsible for all deductibles or self-insured retentions under any required policy of insurance, including any deductibles that are triggered by claims that the Port may submit to Licensee's insurance carrier as an additional insured on any policy. This deductible responsibility extends to deductibles that are owed on any policy of insurance following termination of the License if the event or cause of loss occurred during the term of the License.

## EXHIBIT C Ground Service Operational Standards

Licensee shall faithfully observe all rules, regulations, laws, and standards affecting the operations and activities of the Airport and in accordance with all authorities having jurisdiction over such operations and activities.

1. Anyone operating or handling any aircraft, vehicle or apparatus, or using the Airport or any of its facilities shall comply with the applicable Schedule of Rules and Regulations at the Airport. (The most current document can be downloaded from the Port's website at: <http://www.portseattle.org/business/airport/index.shtml#report>)
2. The Port reserves the right to inspect the License Area at any and all times and for any reason throughout the term of License; provided that the Port shall not interfere unduly with Licensee's operations. The right of inspection reserved to the Port hereunder shall impose no obligation on the Port to make inspections to ascertain the condition of the License Area, and shall impose no liability upon the Port for failure to make such inspections.
3. **Licensee's Operational Requirements**

- a. Any third party Ground Support Providers (GSP) that performs any and/or all of the following functions supporting commercial aviation at Sea-Tac shall be placed on the IATA Safety Audit for Ground Operations (ISAGO) Registry for Seattle-Tacoma International Airport and maintain a current posting to the ISAGO registry while continuing to perform the following functions:

- Load control and/or weight and balance calculations
- Passenger handling
- Marshalling or movement of aircraft
- Loading or offloading baggage or cargo on/off of an aircraft
- Build-up or break-down of baggage and/or cargo containers/pallets

Any GSP wishing to begin providing any of the functions listed above to commercial aviation at Sea-Tac shall be given a 12 month time period from the start of providing that service, until the posting to the ISAGO registry is required.

For more information concerning the ISAGO program please visit:

<http://www.iata.org/ps/certification/isago>

- b. All GSPs shall maintain a company and individual safety and operations program. Within this program all incidents and accidents that occur at the Airport shall be reported to Airport Operations using the prescribed reporting method.
4. **Licensee's Equipment:**
    - a. All equipment brought by Licensee onto the License Area pursuant to License shall remain the sole responsibility of Licensee. Licensee certifies that equipment brought onto the License Area will be maintained in a safe and good operating condition. As solely determined by the Port, equipment appearing to be unsafe, not in good operation condition, and/or leaking will be subject to towing, impoundment and storage charges. Equipment needing repair shall be removed from the airfield for repair.
    - b. The Port accepts no liability for Licensee's equipment. When not in use, Licensee's equipment shall remain in the tenant's leased area, properly stored in an airport

approved storage location, or in Licensee's leased parking/storage area, if so authorized (see Section 5. Permitted Uses).

- c. Licensee shall store/park its equipment in a neat and orderly fashion. Licensee's equipment shall at no time, intrude on the access to, or use of, any area necessary for vehicle circulation or any other company's leased areas. Any equipment that is left in unauthorized areas or is stored in an unsafe or disorderly fashion, as determined solely by the Port, is subject to towing, impoundment and storage charges.
- d. Upon termination of the License, Licensee shall immediately remove all of its equipment from the License Area at no cost to the Port. Licensee shall repair all damages to the License Area resulting from the use or storage of its equipment.

**5. Aircraft Fueling:**

- a. GSPs shall have its employee supervisors complete an aviation fuel-training course in fire safety that is consistent with Federal Aviation Administration ("FAA") requirements under Part 139.21, Title 14 of the Code of Federal Regulations. The employee supervisor shall receive recurrent training at least once every 24 consecutive calendar months. If GSP hires a new employee supervisor, GSP shall ensure that he/she will successfully complete an FAA approved aviation fuel-training course within 90 days of commencing employment under GSP.
- b. All employees of GSP whose duties include fueling aircraft, accepting fuel shipments, and/or handling fuel, shall receive, at a minimum, initial on-the-job training in fire safety and recurrent training every 24 consecutive calendar months. Training shall be provided by GSP's employee supervisor who has been trained in the fuel-training course in fire safety acceptable to the FAA.
- c. GSP shall submit written certification to the Port's Aviation Fire Department that the above training standards have been met. GSP shall maintain written records of these tests. GSP's certification of training will be documented with a letter addressed to the Port.
- d. GSP shall ensure that aircraft-fueling vehicles and related equipment which are not in proper working order are immediately removed from service and shall not be returned to service until proper repairs have been made.
- e. GSP shall ensure that its fuel-servicing personnel know and understand the hazards associated with each type of fuel handled by GSP.
- f. GSPs operating motor vehicles that carry fuel in support of ground fueling operations on the AOA assume all responsibility for complying with Federal and State laws as they relate to transportation, hauling, storage, and transfer of hazardous materials, including RCW 46.48 and RCW 4.24.314. In addition, GSP shall provide a valid MCS 90 Motor Carrier Endorsement which shall be attached to GSP's commercial auto liability insurance policy. More information about insurance can be found on Exhibit B.

**6. Environmental Standards:**

- a. "Law or Regulation" as used herein shall mean environmentally related local, state or federal law, regulation, ordinance or order (including without limitation any final order of any court of competent jurisdiction), now or hereafter in effect. "Hazardous Substances" as used herein shall mean any substance or material defined or designated as a hazardous waste, toxic substance, or other pollutant or contaminant, by any Law or Regulation.

- b. Licensee shall not allow the release, spill, discharge, leak, emission, injection, escape, migration, or dumping in, on, about, from or adjacent to the License Area (including, but not limited to, storm drains, sanitary sewer system, surface waters, soils, underground waters or air) of any Hazardous Substance or other deleterious substance in any manner that could be a detriment to the License Area or in violation of the Licensee's WPCP or any Airport rule or regulation, any Port Environmental Permit, or any Environmental Law. To the extent applicable, Licensee shall make available to the Port upon request with copies of all Material Safety Data Sheets (MSDS) for all Hazardous Substances used or stored on the License Area, Licensee's USEPA Waste Generator Number and Generator Annual Dangerous Waste Reports. To the extent applicable, Licensee shall provide the Port with copies of any environmentally related regulatory permits or approvals (including revisions or renewals) and any material report or notice Licensee receives from, or provides to, any governmental unit or agency in connection with Licensee's handling of Hazardous Substances or the presence, or possible presence, of any Hazardous Substance in, on, about, from or adjacent to the License Area. Licensee is responsible to report any spills or emissions of Hazardous Substances to the Port and appropriate regulatory agency any spills or emissions of Hazardous Substances that are above reportable quantities as defined by applicable Environmental Laws.
- c. Violation of Environmental Law. If Licensee is in violation of any Environmental Law concerning the presence, use, handling or storage of Hazardous Substances, Licensee shall promptly take such action as is necessary to mitigate and correct the violation. If Licensee does not act in such a manner, the Port reserves the right, but not the obligation, to come onto the License Area, to act in place of the Licensee (Licensee hereby appoint the Port as its agent for such purposes) and to take such action as the Port deems necessary to ensure compliance or to mitigate the violation. If the Port has a reasonable belief that Licensee is in violation of any Environmental Law, or that Licensee's actions or inactions present a threat of violation or a threat of damage to the License Area, the Port reserves the right to take such corrective or mitigating action as the Port deems necessary. All reasonable and necessary costs and expenses incurred by the Port in connection with any such actions shall become immediately due and payable by Licensee upon presentation of an invoice therefore. Interest shall accrue on all unpaid sums at the default rate for the current period.
- d. Removal of Hazardous Substances. Prior to vacation of the License Area, in addition to all other requirements under this License, Licensee shall remove and clean up any Hazardous Substances stored, released, spilled, discharged, leaked, emitted, injected, escaped or dumped in, on or about, adjacent to or migrated from the License Area during the License Term and shall demonstrate that removal to the Port's reasonable satisfaction.
- e. No remedy provided herein shall be deemed exclusive. In addition to any remedy provided above, the Port shall be entitled to full reimbursement from Licensee whenever the Port incurs any costs resulting from Licensee's use or management of Hazardous Substances on the License Area, including but not limited to, costs of clean-up or other remedial activities, fines or penalties assessed directly against the Port, injuries to third persons or other properties, and loss of revenues resulting from an inability to re-license or otherwise market the property due to its environmental condition (even if such loss of revenue occurs after the expiration or earlier termination of this License).
- f. In addition to all other indemnities provided in this License, Licensee agrees to defend, indemnify and hold the Port free and harmless from any and all claims, causes of action, regulatory demands, liabilities, fines, penalties, losses, and expenses, including without



limitation cleanup or other remedial costs (and including attorneys' fees, costs and all other reasonable litigation expenses when incurred and whether incurred in defense of actual litigation or in reasonable anticipation of litigation), arising from the existence or discovery of any Hazardous Substance in the License Area, or the migration of any Hazardous Substance from the License Area to other properties or into the surrounding environment, whether:

- i. made, commenced or incurred during the Term of the License, or
- ii. made, commenced or incurred after the expiration or termination of the License if arising out of events occurring during the Term of the License.

## EQUIPMENT STORAGE AREA USE AGREEMENT

This **EQUIPMENT STORAGE AREA USE AGREEMENT** (“Agreement”), dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ is made by and between the **PORT OF SEATTLE** (“Port”), a municipal corporation of the State of Washington and \_\_\_\_\_ (“User”).

- 1) **Pre-Condition.** As a pre-condition to execution of this Agreement, User must have a valid License to Operate at Seattle Tacoma International Airport. User’s License is No. \_\_\_\_\_ [or dated \_\_\_\_\_]
- 2) **Duration.** This Agreement shall be for a period of one (1) month commencing \_\_\_\_\_ through \_\_\_\_\_. Thereafter, this Agreement shall continue on a month to month basis unless cancelled, revoked or terminated under a provision contained herein.
- 3) **Location.** This Agreement pertains to the Port’s common use ground service equipment storage area at Seattle-Tacoma International Airport (“the Premises”). A legal description of the Premises is attached as Exhibit A. A drawing reflecting the exact location of the Premises is attached as Exhibit B. The Port reserves the right to change the location of the Premises on three (3) days advance written notice to User.
- 4) **Fees.** For the use of the Premises, User shall pay the Port \_\_\_\_\_ Dollars (\$\_\_\_\_\_) per month. The Port reserves the right to increase such fees on thirty (30) days advance written notice to User. All payments shall be sent to the Port at:  
  
Port of Seattle  
P.O. Box 34249-1249  
Seattle, WA 98124-1249
- 5) **Permitted Use.** User’s only use of the Premises shall be on a non-exclusive basis and solely for the purpose of parking/storing User’s ground service equipment.
- 6) **Reservations on Use.**
  - a) The Port reserves the right to give 24 hours notice of unavailability of the Premises for any reason which in the discretion of the Port, requires a temporary closure of the facility. The Port agrees to use its best efforts to provide alternative facilities in the event of any such closure.
  - b) User further understands and agrees that its use of the Premises is non-exclusive; that the Port has similar agreements with other users; and that User is not entitled to exclusive use of any one specific area of the Premises.
  - c) The Port reserves the right to post certain rules governing the conduct of User and/or its employees, while in the Premises, which rules may be amended by the Port, at its discretion, from time to time.
- 7) **Acceptance of Premises.** User has examined the Premises and accepts them in their present condition.
- 8) **Liability.**

- a) The Port, its Commission, employees, and agents shall not be liable for any injury (including death) to any persons or for damage to any property regardless of how such injury or damage be caused, sustained, or alleged to have been sustained by User or by others, including but not limited to all persons directly or indirectly employed by User, or any agents, contractors, subcontractors, licensees or invitees of User, as a result of any condition (including existing or future defects in the Premises) or occurrence (including failure or interruption of utility service) whatsoever related in any way to the Premises and the areas adjacent thereto, or related in any way to the use or occupancy of the Premises and of areas adjacent thereto by User.
  - b) User shall defend (with counsel approved by the Port), fully indemnify, and hold entirely free and harmless the Port from any and all loss, damages, expenses, attorneys' fees, consultants' fees, court costs and other costs for or from: (i) anything and everything whatsoever arising from the condition of the Premises during the use or occupancy of the Premises by User; and ii) any accident, injury, death or damage to any party however caused in or about the Premises during the use or occupancy of the Premises by User, whether or not caused by the negligence of User or any third party; and (iii) any fault or negligence by User; and (iv) any failure by User to comply with any of the covenants, terms and conditions contained in this Agreement; **PROVIDED**, however that this paragraph shall not be construed so as to require User to defend, indemnify or hold harmless the Port from such claims, damages, losses, or expenses caused by or resulting from the sole negligence of the Port. The obligation of this paragraph shall not be construed to negate, abridge, or otherwise reduce any other right or obligation which would otherwise exist as to any person or entity described in this paragraph.
  - c) In any and all claims against the Port by an employee of User, the indemnification obligation of subparagraph b of this paragraph shall not be limited in any way by any limitation on the amount or type of damages or compensation benefits payable by or for the User under applicable workers' or workmen's compensation, benefit, or disability laws (including, but not limited to, the Industrial Insurance laws, Title 51 of the Revised Code of Washington). **USER EXPRESSLY WAIVES ANY IMMUNITY USER MIGHT HAVE UNDER SUCH LAWS, AND, BY AGREEING TO ENTER INTO THIS AGREEMENT, ACKNOWLEDGES THAT THE FOREGOING WAIVER HAS BEEN MUTUALLY NEGOTIATED BY THE PARTIES.**
  - d) For the purpose of this paragraph only, the term "Port" shall mean and include the Port and its Commissioners, other officers, employees, and agents, and the term "User" (unless otherwise specified) shall mean and include User, its agents and any person directly or indirectly employed by any of them, all persons directly or indirectly employed by User, or any agents, contractors, subcontractors, licensees or invitees of User, or anyone for whose acts any of them may be liable.
- 9) **Insurance.** User agrees to provide the following insurance:

Commercial General Liability insurance on ISO Form CG 00 01 10 01 (or equivalent) for third party property damage, bodily injury, personal and advertising injury, and medical payments in an amount which is not less than \$1,000,000 (or greater where required by the Port) per occurrence and \$1,000,000 annual aggregate. The insurance shall cover liability arising from premises, operations, independent contractors, products completed operations, personal and advertising injury, and liability assumed under an insured contract. The policy shall carry a minimum of \$500,000 of legal liability coverage with respect to damage to leased or rented premises. The User's insurance shall be primary and non-contributory with respect to any insurance the Port carries and apply separately to each

insured. Port shall be named as an additional insured using ISO Form CG 20 26 11 85 or an equivalent endorsement approved by the Port.

**10) Equipment.**

- a) All equipment brought by User onto the Premises pursuant to this Agreement shall remain the sole responsibility of User.
- b) The Port accepts no liability for User's equipment. When not in use, User's equipment shall remain on the Premises or in an area to which User has otherwise received permission to enter. Equipment left in unauthorized areas is subject to towing, impoundment and storage charges. User shall store/park its equipment in a neat and orderly fashion and shall not interfere with any other user's access to, or use of, the equipment parking/storage area.
- c) Upon termination or revocation of this Agreement, User shall immediately remove all of its equipment from the Premises at no cost to the Port. User shall repair all damages to the Premises resulting from the use of its equipment.

11) **Compliance with Local Laws and Airport Regulations.** User shall comply with all applicable federal, state and local laws and regulations, and the Schedule of Rules and Regulations for Seattle-Tacoma International Airport ("Airport Regulations"), as amended.

12) **Default or Termination of User's License to Operate.** The occurrence of a default under User's License to Operate (defined in paragraph 1 above) constitutes a default of this Agreement by User, with or without notice from the Port, and subject to the cancellation/revocation provisions of paragraph 13 below.

13) **Cancellation/Revocation.** User acknowledges and agrees that by entering into this Agreement the Port grants User a license to use the Premises, as such, the Port may, without liability and without notice, cancel or revoke this Agreement in the event User fails to comply with any of the provisions contained herein, including failure to pay the required fees. The Port may immediately stop User's use of the Premises if such use becomes a nuisance or annoyance to the Port or any of its tenants, or if User fails to comply with any federal, state or local law, including the Airport Regulations.

14) **Termination.** The Port or User may, at any time at its convenience or when deemed in the best interest of the Port or User, respectively, elect to terminate this Agreement prior to the end of the term set forth in Paragraph 1. Termination shall be effective thirty (30) days after the Port's or User's mailing of a written notice thereof to the other party.

15) **Maintenance.** User shall be responsible for returning the Premises in the same condition in which received, normal wear and tear excepted. In the event of any damage to the Premises by User or any licensee or invitee of User, User shall promptly repair such damage or reimburse the Port for its costs in doing so.

16) **Utilities.** The Port shall provide all utilities necessary for User's use of the Premises during the term of this Agreement.

- 17) **Inspection and Right of Port Use.** The Port reserves the right to inspect the Premises at any and all reasonable times throughout the term of this Agreement; The right of inspection reserved to the Port hereunder shall impose no obligation on the Port to make inspections to ascertain the condition of the Premises, and shall impose no liability upon the Port for failure to make such inspections. The Port shall have the right to use and enjoy the Premises for whatever purpose it may desire so long as it does not unreasonably interfere with User's use of the Premises as authorized under this Agreement.
  
- 18) **Signs.** No signs or other advertising matter, symbols, canopies or awning's shall be attached to or painted on or within the Premises, without the prior written approval of the Port. At the expiration or sooner termination of this Agreement, all such signs, advertising matter, symbols, canopies or awnings attached to or painted by User shall be removed by User at its own expense, and User shall repair any damage or injury to the Premises and correct any unsightly condition caused by the maintenance and removal of said signs, etc.
  
- 19) **Assignment.** This Agreement may not be assigned by User. Any such prohibited assignment shall result in immediate cancellation of this Agreement.
  
- 20) **Not a Leasehold.** No legal title or leasehold interest in the Premises shall be deemed or construed to have been created or vested in User by anything contained herein.
  
- 21) **Liens and Encumbrances.** User shall keep the Premises free and clear of any liens and encumbrances arising out of the use of the Premises by User. At the Port's request, User shall furnish the Port with written proof of payment of any item which would or might constitute the basis for such a lien on the Premises if not paid.
  
- 22) **Notices.** All notices hereunder may be delivered or mailed. If mailed, they shall be sent to the following respective addresses:

**To Port:**

PORT OF SEATTLE  
Attention Aviation Properties  
P.O. Box 68727  
Seattle, WA 98168

**To User:**

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or to such other respective addresses as either party hereto may hereafter from time to time designate in writing.

- 23) **Environmental Standards.**

- a) "Law or Regulation" as used herein shall mean environmentally related local, state or federal law, regulation, ordinance or order (including without limitation any final order of any court of competent jurisdiction), now or hereafter in effect. "Hazardous Substances" as used herein shall mean any substance or material defined or designated as a hazardous waste, toxic substance, or other pollutant or contaminant, by any Law or Regulation.
- b) User shall not allow the presence in or about the Premises of any Hazardous Substance in any manner that could be a detriment to the Premises or in violation of any Law or Regulation. User shall not allow any Hazardous Substances to migrate off the Premises, or the release of any Hazardous Substances into adjacent surface waters, soils, underground waters or air. User shall provide the Port with User's USEPA Waste Generator Number, and with copies of all Material Safety Data Sheets (MSDS), Generator Annual Dangerous Waste Reports, environmentally related regulatory permits or approvals (including revisions or renewals) and any correspondence User receives from, or provides to, any governmental unit or agency in connection with User's handling of Hazardous Substances or the presence, or possible presence, or any Hazardous Substance on the Premises.
- c) If User, or the Premises, is in violation of any Law or Regulation concerning the presence or use of Hazardous Substances or the handling or storing of hazardous wastes, User shall promptly take such action as is necessary to mitigate and correct the violation. If User does not act in a prudent and prompt manner, the Port reserves the right, but not the obligation, to come onto the Premises, to act in place of the User (User hereby appoints the Port as its agent for such purposes) and to take such action as the Port deems necessary to ensure compliance or to mitigate the violation. If the Port has a reasonable belief that User is in violation of any Law or Regulation, or that User's actions or inaction's present a threat of violation or a threat of damage to the Premises, the Port reserves the right to enter onto the Premises and take such corrective or mitigating action as the Port deems necessary. All costs and expenses incurred by the Port in connection with any such actions shall become immediately due and payable by User upon presentation of an invoice therefor.
- d) The Port shall have access to the Premises to conduct environmental inspections. In addition, User shall permit the Port access to the Premises at any time upon reasonable notice for the purpose of conducting environmental testing at the Port's expense. User shall not conduct or permit others to conduct environmental testing on the Premises without first obtaining the Port's written consent. User shall promptly inform the Port of the existence of any environmental study, evaluation, investigation or results of any environmental testing conducted on the Premises whenever the same becomes known to User, and User shall provide copies to the Port.
- e) Prior to vacation of the Premises, in addition to all other requirements under this Agreement, User shall remove any Hazardous Substances placed on the Premises during the term of this Agreement or User's use of the Premises and shall demonstrate such removal to the Port's satisfaction.
- f) No remedy provided herein shall be deemed exclusive. In addition to any remedy provided above, the Port shall be entitled to full reimbursement from User whenever the Port incurs any costs resulting from User's use or management of Hazardous Substances on the Premises, including but not limited to, costs of clean-up or other remedial activities, fines or penalties assessed directly against the Port, injuries to third persons or other properties, and loss of

revenues resulting from an inability to use or market the property due to its environmental condition (even if such loss of revenue occurs after the expiration or earlier termination of this Agreement).

- g) In addition to all other indemnities provided in this Agreement, User agrees to defend, indemnify and hold the Port free and harmless from any and all claims, causes of action, regulatory demands, liabilities, fines, penalties, losses, and expenses, including without limitation cleanup or other remedial costs (and including attorneys' fees, costs and all other reasonable litigation expenses when incurred and whether incurred in defense of actual litigation or in reasonable anticipation of litigation), arising from the existence or discovery of any Hazardous Substance on the Premises, or the migration of any Hazardous Substance from the Premises to other properties or into the surrounding environment, whether
  - (i) made, commenced or incurred during the term of this Agreement, or
  - (ii) made, commenced or incurred after the expiration or termination of this Agreement if arising out of events occurring during the term of this Agreement.

24) **Captions.** The captions in this Agreement are for convenience only and do not in any way limit or amplify the provision of this Agreement.

25) **Invalidity of Particular Provisions.** If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to person or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and shall continue in full force and effect.

26) **Nondiscrimination - Services.**

- a) User agrees that it will not discriminate by segregation or otherwise against any person or persons because of race, sex, age, creed, color or national origin in furnishing, or by refusing to furnish, to such person, or persons, the use of the facility herein provided, including any and all services, privileges, accommodations, and activities provided thereby;
- b) It is agreed that User's noncompliance with the provisions of this clause shall constitute a material breach of this Agreement. In the event of such noncompliance, the Port may take appropriate action to enforce compliance, may terminate this Agreement, or may pursue such other remedies as may be provided by law.

27) **Nondiscrimination - Employment.** User covenants and agrees that in all matters pertaining to this Agreement, the User shall at all times conduct its business in a manner which assures fair, equal and nondiscriminatory treatment of all persons without respect to race, sex, age, color creed or national origin, and in particular:

- a) User will maintain open hiring and employment practices and will welcome applications for employment in all positions from qualified individuals who are members of racial or other minorities, and
- b) User will comply strictly with all requirements of applicable federal, state and local laws or regulations issued pursuant thereto relating to the establishment of nondiscriminatory requirements

in hiring and employment practices and assuring the service of all patrons or customers without discrimination as to any person's race, sex, age, creed, color or national origin.

28) **Governing Law.** This Agreement shall be governed by the laws of the State of Washington. Venue for any action between the Port and User arising out of or in connection with this Agreement shall be in King County, Washington.

29) **Entire Agreement/Amendment.** This Agreement, together with any attachments or exhibits incorporated by reference, constitutes the entire agreement between the parties regarding the subject matter it sets forth and shall supersede all prior agreements, representations, correspondence or communications relating to said subject matter. No modification or amendment of this Agreement shall be valid and effective unless evidenced by written agreement of the parties.

**USER:**

**PORT OF SEATTLE**

**By:** \_\_\_\_\_

**By:** \_\_\_\_\_

**It's:** \_\_\_\_\_

**It's:** \_\_\_\_\_



STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the \_\_\_\_\_ of the \_\_\_\_\_, a corporation of the State of \_\_\_\_\_, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed my official seal the day and year first above written.

\_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_,  
residing at \_\_\_\_\_.  
My Commission Expires: \_\_\_\_\_.

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KING )

I certify that I know or have satisfactory evidence that \_\_\_\_\_ is the person who appeared before me, and said person acknowledged that (he/she) signed this instrument, on oath stated that (he/she) was authorized to execute the instrument and acknowledged it as the \_\_\_\_\_ of the PORT OF SEATTLE, a municipal corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**IN WITNESS WHEREOF**, I have hereunto set my hand and affixed my official seal the day and year first above written.

\_\_\_\_\_  
Notary Public in and for the State of Washington, residing at \_\_\_\_\_.  
My Commission Expires: \_\_\_\_\_.

## EXHIBIT A

### Legal Description of Airfield Areas

EXHIBIT B  
Map of Premises