

SIGNATORY
LEASE AND OPERATING AGREEMENT
BETWEEN THE
SPOKANE AIRPORT BOARD
AND

October 8, 2009

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SIGNATORY AIRLINE LEASE AND OPERATING AGREEMENT

THIS AGREEMENT, made and entered into this ____ day of _____, 20__, by and between the SPOKANE AIRPORT BOARD, created pursuant to the provisions of Section 14.08.200 of the Revised Code of Washington, as an agency of the City and County of Spokane, municipal corporations of the State of Washington, hereinafter referred to as "Board," and _____, a corporation organized and incorporated in the State of _____, hereinafter referred to as "Airline;"

WITNESSETH THAT:

WHEREAS, the Board is the operator of the SPOKANE INTERNATIONAL AIRPORT, "Airport," located in the County of Spokane, State of Washington, and operates the same for the promotion, accommodation and development of air commerce and transportation; and

WHEREAS, the parties hereto desire to enter into a Signatory Lease and Operating Agreement, hereinafter referred to as "Agreement", granting the Airline the use, together with others, of the Airport and its appurtenances;

NOW, THEREFORE, in consideration of the premises provided herein, the rights and privileges and the mutual covenants and conditions hereinafter contained and other valuable considerations, the parties hereto agree, for themselves, their successors and assigns, as follows:

1. TERM

A. The term of this Agreement shall be for four (4) years, commencing January 1, 2010, and ending December 31, 2013 unless sooner terminated or canceled as herein provided.

B. Upon giving Airline one hundred and fifty (150) days advance written notice, the Board and Airline shall have the option to renew this Agreement for one (1) three (3) year period by mutual consent. The additional three year term shall be under the same terms and conditions with the exception of Rates, Fees and Charges and Environmental Standards which shall be subject to adjustment.

2. PREMISES AND FACILITIES

The Board hereby leases to Airline those facilities and premises in and adjacent to the Airport Terminal Building as shown on EXHIBIT A, attached hereto and made a part hereof, and as further defined in ARTICLE 8 – USE OF PREMISES contained herein, hereinafter referred to as "Premises."

3. RENTS, FEES AND CHARGES

Subject to adjustment as hereinafter provided, Airline shall pay the following rents, fees and charges:

A. Rents

Airline shall pay to the Board monthly, in advance, by the first of the month and no later than the tenth (10th) of each month, rents for the Exclusive and Preferential Premises demised herein as set forth on EXHIBIT A, attached hereto and made a part hereof. Airline shall pay to the Board within ten (10) days of receipt of invoice the rent due for its use of the Premises described as Common Use as set forth on EXHIBIT A. Board and Airline agree interest shall not accrue on any outstanding invoices on Common Use areas prior to forty-five (45) days from the first of the month. Rents for Common Use Space shall be pro-rated among all scheduled passenger air transportation companies having valid signatory agreements at the Airport, on the following basis: Twenty percent (20%) of the total charge shall be billed to each equally and eighty percent (80%) of the total charge shall be billed to each in the proportion that its enplaned passengers bears to the total number of enplaned passengers at the Airport for the particular month being billed.

B. Landing Fees

1. With respect to each of Airline's revenue aircraft landing at the Airport, Airline shall pay to the Board the current fee per One Thousand Pounds (1,000 lbs.) of Certificated Maximum Gross Landing Weight, defined as the certificated weight established by the aircraft manufacturer for each aircraft type, as determined in accordance with EXHIBIT B attached hereto and made a part hereof. Such fee to be paid by the 10th of each month for the preceding month's activity and accompanied by Airline's Report of Operations. The Board shall provide notification to Airline of Landing Fee adjustments, either upward or downward, made on a semi-annual basis in a timely manner to ensure the thirty percent (30%) coverage requirement is met by each year-end. If any adjustment is to be made, Airport will notify the Airline not less than thirty (30) days before proposed rate effective date.

2. Should Airline's non-revenue landings, including maintenance and testing flights, exceed Five Percent (5%) of Airline's revenue landings in any calendar year, all such non-revenue landings in excess of said Five Percent (5%) shall be deemed as revenue landings and current landing fees shall be paid thereon.

C. Aircraft Storage

Airline shall pay to the Board, within ten (10) days of receipt of invoice, charges for storage of its aircraft on designated storage aprons, as set forth on EXHIBIT A, attached hereto and made a part hereof.

4. ADJUSTMENT OF RENTS, FEES AND CHARGES

A. Rents and charges as set forth in ARTICLE 3 – RENTS, FEES AND CHARGES, Section A, shall be subject to adjustment annually on January 1. Negotiations by the Board and all Scheduled Air Carriers at the Airport (including Airline) shall commence no later than October 1 of each year prior to the effective date of such adjustment.

B. The landing fee shall be determined and adjusted in accordance with ARTICLE 3 – RENTS, FEES AND CHARGES, Paragraph B of this Agreement and EXHIBIT B attached hereto and made a part hereof.

C. In the event of a dispute, the rent adjustments set forth in Section A of this Article shall be determined by arbitration in accordance with ARTICLE 35 – ARBITRATION, contained herein. The determination of the arbitrators shall be effective and retroactive to the first day of the rental period under arbitration.

5. FAILURE TO PAY RENTS, FEES OR CHARGES

A. It shall be the duty of the Airline to pay all rents, fees and charges when due. Failure to pay the amounts due or comply with any other of the Airline's financial obligations to the Board under this Agreement shall entitle the Board to re-enter and take possession of the Premises upon giving the Airline thirty (30) days' advance written notice of its intention to do so, if said monetary default has not been remedied within said thirty (30) day period. However, the Board may extend the time period to correct the default if, in its sole discretion, due diligence is shown by the Airline in curing the default. All amounts not paid by the Airline when due shall bear interest at the maximum legal rate.

B. The Board's agents or employees shall not be liable for any civil or criminal claim or cause of action because of entering the Premises and any improvements thereon at reasonable times and in a reasonable manner to carry out the provisions of this Article.

6. PERFORMANCE FOR NEW AIR CARRIERS THAT ENTER INTO THE SIGNATORY AGREEMENT

A. Any New Air Carrier that enters into this Agreement agrees to post with the Board, prior to commencing operations at the Airport, and maintain throughout the term of this Agreement, a Performance/Payment Bond in an amount equal to 3 months of the estimated annual Rentals, Fees and Charges, Supplemental Charges and other sums payable by Airline for the year including landing fees. Landing fees shall be based upon the average of the previous twelve (12) month period of operations as reported to the Board. Said Performance/Payment Bond shall be updated as to amount and renewed each year during the term of the Agreement. Such Performance/Payment Bond shall be executed by the Air Carrier as principal, and by a surety company authorized to do business in the State of Washington, as Surety, and conditioned upon the full and faithful performance by the Air Carrier of all the terms and conditions set forth in this Agreement, and the payment by the Air Carrier of all amounts required to be paid by the Air Carrier to the Board under the terms of this Agreement. Subject to prior approval by the Board, Air Carrier may provide an irrevocable letter of credit payable without condition to the Board in lieu of a Performance/Payment Bond. Any alternate security shall be upon terms and conditions acceptable to the Board.

B. If Airline has provided regular scheduled passenger flights to and from the Airport for the twelve (12) months immediately prior to Airline's execution and delivery to the Board of this Agreement without committing an act or omission that is an event of default under the terms and conditions set forth in this Agreement, including the non-payment of any of Rents, Fees or Charges or other payments due hereunder, and for so long thereafter as Airline continues not to commit an event of default, it shall be relieved of the requirement to provide the Performance/Payment Bond as required in Paragraph A above. In the event that Airline becomes subject to the requirement contained in Paragraph A above, it shall provide the applicable Performance/Payment Bond to the Board within ten (10) days of written notice from the Board notifying Airline of its requirement to comply.

7. AIRLINE RECORDS AND REPORTS

A. Records

1. Airline shall, at all times, maintain and keep books, ledgers, accounts or other records at Spokane, Washington, or shall make available to the Board within five (5) business days, and accurately keep all entries reflecting the number of enplaning and deplaning passengers, the total number of revenue aircraft trips actually arriving at the Airport, and the Certificated Maximum Gross Landing Weight of each such aircraft. Such books, ledgers, accounts and records shall be available for examination by the Board or its duly authorized representative at all reasonable business hours. It is understood that these unaudited records and that audited records shall be available from Airline's corporate office, and shall upon reasonable request be provided to the Board. Airline shall maintain records for all Airport operations for a period of not less than three (3) years.

1. Airline shall provide, upon request from the Board, projected landing weights for its operation at the Airport for the next calendar year or portion of the present calendar year. Such reports will be utilized by the Board in connection with Airport budget review and preparation, and the determination of landing fees in accordance with EXHIBIT B herein.

B. Reports

Airline shall provide by the tenth (10th) day of each month a report detailing Airline's aircraft operations and revenue enplaning and deplaning passenger counts for the preceding month. Such report shall list the number and type of aircraft landing at the Airport, Certificated Maximum Gross Landing Weights and total weights of inbound and outbound freight and mail.

8. USE OF PREMISES

A. The design and configuration of the Terminal Building associates specific functions with specific locations in the Building. These locations and associated functions are as set forth on EXHIBIT C, attached hereto and made a part hereof. Airline's use of the Premises demised herein for the conduct of its air transportation business shall be limited to the use in each area as set forth on EXHIBIT C, and for no other purpose without the prior written consent of the Board. Airline shall not permit the use of its Premises for the offering or sale to the public of any other services, including but not limited to, the sale of food, beverages, insurance or offering of other merchandise or services separate from Airline's operation of its air transportation business.

B. Airline shall have exclusive use of those areas listed as "Exclusive" on EXHIBIT C, attached hereto and made a part hereof, for use in operating its air transportation business. Such Exclusive Space shall be designated as space used for office, ticket counters, baggage service, maintenance and operations functions of Airlines and use of such Exclusive Space shall be as set forth on EXHIBIT C, hereto.

C. Airline shall be the primary user of those areas designated as “Preferential Use” on EXHIBIT C. Such Preferential Use Space shall include the queuing, baggage makeup, loading bridge(s), hold areas, aircraft parking and equipment storage on ramp and glycol pads. Use of such Preferential Space shall be in accordance with EXHIBIT C hereto. Airline agrees to accommodate use of such areas by other carriers in accordance with Section E of this Article and with ARTICLE 30 – ACCOMMODATION OF NEW AND/OR EXISTING CARRIERS, herein. Such users as used herein shall be defined as “Secondary Users” of the Preferential Premises. It is agreed that any loading bridges owned by the Airline or leased under separate agreement by Airline from the Board may be subject to the provisions contained herein regarding secondary use and accommodation of new or existing carriers as such provisions pertain to Preferential Space. Airline shall have the right to require an equipment sharing agreement and assess charges to such Secondary User; such charges to be subject to prior written approval by the Board. Any Non-Signatory Airline that Airline works with on an intermittent basis shall pay to the Board, a Terminal Access Fee that shall be based on the size of Aircraft. Said fee shall be in addition to any fees assessed to the Non-Signatory Airline by Airline.

D. Airline shall share, together with others that space listed as “Common Use” on EXHIBIT C. Use of Common Use space shall be as set forth on EXHIBIT C.

E. It is understood and agreed that the Board may limit Airline’s use of the Aircraft Parking Position(s) demised herein to the time required for loading and unloading of aircraft and related services. Airline shall not do or perform any repair or maintenance work on its aircraft or store its aircraft at Aircraft Parking Position(s) in a manner so as to restrict a Secondary User’s rights. Aircraft parking in excess of such loading and unloading time shall be permitted if such Aircraft Parking Position(s) is/are not needed by a Secondary User. In the event an Aircraft Parking Position(s) is/are needed for loading or unloading of another aircraft (herein referred to as “Secondary Use”) Airline shall accommodate or provide for accommodation of such Secondary Use in accordance with ARTICLE 30 – ACCOMMODATION OF NEW AND/OR EXISTING CARRIERS, herein. If such accommodation necessitates relocation of Airline’s aircraft, such relocation shall be to a location designated by the Board. Cost of such relocation shall be borne by the Secondary User. The Board agrees that any secondary use by another airline be under the same time restrictions as set forth herein and shall not conflict with Airline’s scheduled use or delayed scheduled use of such Aircraft Parking Position(s) and as such schedule shall change from time to time. Airline shall have the right to assess charges to Secondary User; such charges to be subject to prior approval by the Board.

F. All repair, maintenance and overhaul work, testing, washing or storage of aircraft or other Airline equipment shall be performed only upon those areas designated by the Board for such use. Airline may, while its aircraft are parked on the apron or at the Aircraft Parking Position(s), perform customary fueling and servicing of aircraft preparatory to loading and take-off or immediately following landing and unloading.

G. Airline, its agents, employees, suppliers, passengers, guests and others doing business with Airline shall have the right of ingress and egress to and from the Premises and the public use areas/facilities used in connection therewith, over the Airport property and roadways, subject to rules and regulations governing the use of the Airport and as same may be promulgated by the Board from time to time.

H. Airline agrees for itself, its agents and employees that it will not perform any acts or carry on any practices which would result in the necessity to repair or replace Airport property, normal wear and tear excluded, or be a nuisance or menace to other users of the Airport.

I. Board covenants that upon paying the rent and performing the covenants and conditions herein contained, Airline shall peacefully and quietly have, hold and enjoy the Premises demised herein.

J. Board covenants and agrees that it is in lawful possession of the property demised hereby and has good and lawful authority to execute this Agreement.

9. AIRLINE'S RIGHTS AND OBLIGATIONS

The parties hereto covenant and agree as follows:

A. Subject to and in accordance with all applicable laws and ordinances and such reasonable rules and regulations as may be adopted by the Board for the regulation thereof, Airline may, together with others, use the Airport and its appurtenances together with all public use areas/facilities for the purpose of conducting its business as a scheduled air carrier and to engage in a prompt, efficient, scheduled air carrier operation at the Airport. The privileges granted hereby shall be non-exclusive, and include, without limiting the generality thereof:

1. The use of the Airport and its appurtenances for the purpose of landing, taking-off, loading and unloading, taxiing and parking of its aircraft or support equipment.

2. The sale of Airline's air transportation service for the transport of persons and property at the Airport.

3. The sale, lease or other disposition of the Airline's aircraft or other related property, subject to such reasonable rules as the Board may prescribe.

4. The training at the Airport of persons and testing of aircraft and other equipment, such training and testing to be limited to such as is incidental to Airline's air transportation business, subject to payment of landing fees as provided herein, ARTICLE 3 – RENTS, FEES AND CHARGES, Paragraph B.

5. The ground training of personnel in the employ of, under the direction, or under a service contract for the Airline.

6. The right to install, operate and maintain the necessary FAA-approved security devices to carry out its obligations as specified by the Federal Aviation Administration or other governmental rules and regulations.

B. Airline's equipment, including aircraft, used by the Airline at the Airport shall be maintained at Airline's sole expense, in good, safe and operative order, and in a clean and neat condition.

C. Airline shall not permit its agents, servants or employees to conduct business or otherwise act in a loud, noisy, boisterous, offensive or objectionable manner.

D. Airline shall observe and comply with any and all applicable Airport, federal, state and local laws, statutes, ordinances and regulations and shall abide by and be subject to all reasonable rules and regulations which are now, or may from time to time be, promulgated by the Board concerning operation or use of the Airport.

E. Airline shall be responsible for all its expenses in connection with its operation at the Airport and the rights and privileges herein granted, including without limitation by reason of enumeration, taxes, permit fees, license fees and assessments lawfully levied or assessed upon the Airline, and secure all such permits and licenses.

F. Airline is responsible for any and all actions of their employees or agents while operating on the airfield, including Runway Incursions and surface incidents or accidents. All badged ground employees operating vehicles or equipment on the airfield must successfully complete Airport approved airfield driver training prior to operating said vehicle or equipment on the airfield. Failure to comply with airfield driving and security requirements may result in loss of airfield access privileges. Any and all costs, including penalties resulting from employee or agent actions will be borne by the Airline.

G. To the extent of its capabilities, Airline agrees to cooperate with the Board and/or any other air carrier in dealing with aircraft or airline related emergencies at the Airport. Airline further agrees to provide the Board with its current emergency procedures and to fully cooperate with the Board and assist in implementation of the current Airport Disaster Plan.

H. Airline may provide support services for another air carrier, subject to all applicable conditions of this Agreement, including but not limited to, Section D of this Article.

I. Airline or its agents shall promptly remove any of its disabled aircraft from any part of the Airport, including without limitation, runways, taxiways, aprons and aircraft parking position(s) and place any such aircraft in such storage areas as may be designated by the Board. Such storage of disabled aircraft shall be subject to a storage fee as set forth in ARTICLE 3 – RENTS, FEES AND CHARGES herein. Should Airline fail to remove any of its disabled aircraft promptly, the Board may, but shall not be obligated to, cause the removal and Airline shall reimburse the Board for all costs of such removal. Airline hereby releases the Board from any and all claims for damages to the disabled aircraft or otherwise from or in any way connected with such removal by the Board. This section shall be subject to the jurisdiction, rules and regulations of the National Transportation Safety Board or its successor agency.

10. OPERATING AFFILIATES

A. An Airline that enters into an arrangement with a Signatory Airline (Airline) to provide passenger service on its behalf shall be considered an “Operating Affiliate”. An Operating Affiliate is defined as any air transportation company that (i) is a wholly owned subsidiary of Airline and/or Airline’s holding company or, (ii) uses the same livery as Airline, offers seats controlled and sold by Airline, and otherwise operates under substantially the same trade names as Airline at the Airport, provided that no certificated air carrier as such term is defined by the Federal Aviation Administration (FAA), shall be classified as an Operating Affiliate of another certificated air carrier, unless either clause (i) and (ii) above defines the relationship between such airline at the Airport. Airline is required to give written notice to the

Board prior to commencing service with an Operating Affiliate and must notify the Board of any changes to their Operating Affiliates.

B. The Airline agrees to be responsible for reporting all revenue landings, landed weights and passengers for Operating Affiliate; and the Airline agrees to be primarily responsible for the payment of all rents, fees and charges associated with the Operating Affiliate's operations at the Airport. Notwithstanding the foregoing, if the Airline fails to make payment or submit reports on behalf of the Operating Affiliate, the Operating Affiliate remains fully responsible and liable to the Board for both reporting and payment.

C. Should an airline not qualify as an Operating Affiliate of the Airline, the airline has the option of entering into a Signatory Lease and Operating Agreement or become a Non-Signatory Airline. A Non-Signatory Airline may enter into a Use Agreement with the Board and pay the Airport Non-Signatory landing fees and other appropriate airport charges for work performed for other air carriers.

D. The privileges granted hereunder to Airline shall apply to any Operating Affiliate of Airline.

11. ADDITIONAL RIGHTS AND OBLIGATIONS OF THE BOARD

A. Except as herein provided, the Board agrees that it will, with reasonable diligence and in a manner consistent with that of a reasonably prudent operator of an airport of comparable size, develop, operate, maintain and keep in good repair and order the Airport and all common use and public appurtenances, facilities and equipment provided by the Board as the same relates to Airline's air transportation business. The Board agrees that it will operate the Airport in a manner consistent with standards established by the Federal Aviation Administration, or any successor federal agency exercising similar powers for airports of comparable size and in accordance with rules and regulations of the Federal Aviation Administration and any other governmental agency having jurisdiction thereof.

B. The Board shall, with notice to the Airline, have the right to adopt and enforce reasonable rules and regulations not in conflict with federal rules and regulations with respect to the use of the Airport, which Airline agrees to observe and obey.

12. UTILITIES AND MAINTENANCE

A. Airline and Board shall be responsible for the utilities and maintenance of the Premises as set forth on EXHIBIT D, attached hereto and made a part hereof. The responsible party shall keep and maintain same in good condition; normal wear and tear excluded. In particular, Board shall be responsible for maintenance, repairs and janitorial services to Preferential Premises, including Loading Bridge(s) leased to Airline, unless and in the event such maintenance and/or repairs are necessitated by misuse, abuse or negligence of same and its components by the Airline, its agents or employees; in which case(s) Airline shall be responsible for the cost of such repairs and/or maintenance.

B. Any additional equipment installed by Airline shall be the sole responsibility of Airline and Airline shall bear the costs of utilities and maintenance for said equipment. The Board shall invoice Airline monthly for the electrical costs associated with said equipment.

13. CONSTRUCTION, MAINTENANCE AND REPAIRS OF AIRLINE'S LEASEHOLD IMPROVEMENTS/TRADE FIXTURES

A. Airline may construct or install, at its own expense, any equipment, improvements and facilities, including communication, meteorological and navigational equipment, and any additions thereto, on all or any part of the Airline's Exclusive and Preferential Premises, under the conditions as hereinafter set forth. Airline shall keep and maintain all such improvements and facilities and additions thereto constructed or installed by it in good condition, normal wear and tear excluded.

1. No improvements, structures, alterations or additions shall be made in, to or upon the Airline's Premises without the prior written consent of the Board. Airline shall submit requests for improvements, alterations or additions by submittal of the Request for Approval Form, identified as EXHIBIT F, attached and made a part hereof. All such improvements, structures, alterations, additions and work shall be in accordance with any conditions relating thereto then stated in writing by the Board.

2. At the time of requesting approval by the Board, the Airline shall submit the preliminary plans for such improvements, which shall conform to the general architectural scheme and overall plans adopted by the Board for the Airport. Upon approval of said preliminary plans, the Airline shall prepare and obtain the Board's approval of working drawings and specifications which shall be true and correct developments of the preliminary plans so approved. All construction shall conform to approved working drawings and specifications and when such work is commenced, it shall be completed with reasonable dispatch. No substantial change, addition or alteration shall be made in said working plans or specifications or in the construction called therefore without first obtaining the Board's written approval. Upon completion of said improvements, the Lessee shall furnish the Board, at no charge, two (2) complete sets of working drawings and one (1) set on electronic media of the improvements as constructed.

3. All improvements constructed by the Airline pursuant to this Section shall conform in all respects to the applicable statutes, ordinances, building codes, rules and regulations of all applicable governmental agencies as may have jurisdiction.

4. During the term of this Agreement, title to all improvements, structures, alterations or additions erected or installed in or on the Premises by the Airline pursuant to this Section shall remain with the Airline. Upon the cancellation or termination of this Agreement, renewal or successor Agreement, said structures, improvements, alterations or additions shall become a part of the realty upon which they are erected and title thereto shall vest at no cost to the Board. The Board may at its option direct the Airline in writing within thirty (30) days of such cancellation or termination to remove any or all such structures, improvements, alterations or additions from the Premises. Should the Airline fail to remove such items as directed by the Board within thirty (30) days of the Board's notification to do so, the Board may proceed to effect such removal at the expense of the Airline, and the Airline agrees to pay the Board for such expense upon receipt of an invoice therefore.

B. No trade fixtures shall be installed without the prior written consent of the Board and all such installations shall be in accordance with any conditions relating thereto then stated in writing by the Board.

C. Airline shall have the right at any time during the term of this Agreement or upon termination and within thirty (30) days thereafter, to remove all trade fixtures and equipment subject to any valid lien the Board may have thereon for unpaid rents. Any and all property not removed by the Airline within said thirty (30) day period shall thereupon become a part of the realty on which it is located and title thereto shall thereupon vest in the Board. All Board property damaged by or as a result of the removal of the Airline's property shall be restored to a condition satisfactory to the Board by the Airline at its expense to the condition existing prior to such damage.

14. ENVIRONMENTAL STANDARDS

A. Definitions. For purposes of this Article 14, the following terms shall have the following meanings:

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.

2. "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.

3. "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.

4. "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.

B. 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 caused by Airline or its operations and first Released during the Term to migrate off the Airport or allow the Release of any Hazardous Substances caused by Airline or its operations into adjacent surface waters, soils, underground waters or air in violation of any Environmental Law. Airline shall immediately notify the Board in writing should Airline become aware of: (1) any Release of any Hazardous Substances or the occurrence of any other environmental problem or liability caused by Airline or its operations 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 caused by Airline or its operations with respect to the Airport. Compliance with the duty to notify does not determine responsibility for a Release or threatened Release. In addition to any remedy provided in this Agreement, the Board shall be entitled to full reimbursement from Airline whenever the Board 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 Board, and injuries to third persons or other properties.

1. Airline shall report any Release or threatened Release caused by Airline or its operations to the Board as outlined in Exhibit E, attached hereto and made a part hereof.

C. Compliance and Remediation. Airline shall at all times conduct its business at the Airport in compliance with all applicable Environmental Laws and if Airline 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), because of actions that occur during the Term, Airline shall promptly take such action as is reasonably necessary to remedy and cure the violation.

D. Board Remedies. If Airline, 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 Board has the right, but not the obligation, to come onto the Premises, after providing reasonable notice in light of the violation to Airline, to act in place of the Airline (Airline hereby appoints the Board as its agent for such purposes) and to take such action reasonably necessary to cure the violation. If the Board has a reasonable belief that Airline's actions or inactions present a threat of violation or a threat of damage to the Premises, the Board reserves the right to enter onto the Premises and take such corrective or mitigating action as the Board deems reasonably necessary. All reasonable costs and expenses incurred by the Board 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.

E. Access to Premises. At the forty eight (48) hour advance request of the Board, the Airline shall grant access to the Premises to conduct an annual environmental inspection. The cost of the inspection shall be borne by the Board. The Board shall conduct the inspection in a manner that does not unduly interfere with Airline's operation. In addition, Airline shall permit the Board access to the Premises at any reasonable time upon reasonable notice for the purpose of conducting environmental testing. The cost of such environmental testing shall be borne by the Board, provided, however, that if the results of such environmental testing detect an issue requiring Airline's corrective action per Environmental Law, the cost of such testing shall be borne by Airline. Prior to conducting environmental testing, the Board 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 Board access to the Premises for any necessary environmental response activities, including environmental testing needed in response to the emergency.

F. 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 Board's reasonable satisfaction. This reasonable removal and demonstration shall be a condition precedent to the Board's return of any portion of the Security Deposit, if any, to Airline upon termination or expiration of this Agreement.

G. 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 Board 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 Release of any Hazardous Substance during the Term caused by Airline or its operations on the Premises or at the Airport, or the Release of any Hazardous Substance by Airline or its operations from the Premises to other properties or into the surrounding environment or from any other violation of Environmental Law caused by the Airline or its operation, 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.

15. DAMAGE OR DESTRUCTION

A. Leased Premises

1. If the Airline's Premises, excluding Airline's leasehold improvements or trade fixtures, are partially damaged by fire or other casualty, but not rendered untenable, the same shall be repaired with due diligence by the Board. The Premises shall be repaired or restored at Board's expense to essentially the same condition as that which existed prior to such damage. In the event such damage is caused by the negligence of the Airline, its officials, agents or employees, it shall be the responsibility of Airline to pay all loss, damage and costs not covered by the insurance proceeds. Should a portion of the Premises be untenable, rent for the affected portions of Premises shall be abated for the period from the occurrence of the damage to the completion of the repairs.

2. If the Airline's Premises, excluding Airline's leasehold improvements or trade fixtures, are completely destroyed by fire or other casualty or so damaged as to remain untenable for more than sixty (60) days, the Board shall be under no obligation to repair or reconstruct such Premises. The rent for the affected portions of Airline's Premises shall be abated for the period from the date of such occurrence until such space is temporarily replaced with other space sufficient to allow the Airline to operate. The Board shall notify Airline within sixty (60) days of the occurrence of such casualty whether it intends to repair or reconstruct the damaged Premises. If the Board elects to repair or reconstruct, it shall do so with due diligence and at its expense, unless such damage was caused by the negligence of the Airline, its officials, employees or agents, in which case it shall be the responsibility of the Airline to pay all loss, damage and costs not covered by the insurance proceeds. Should the Board elect not to repair or reconstruct, this Agreement as to the destroyed or damaged Premises shall terminate on the date of notification by Board as specified in this Section. In such event, the Board agrees to use its best efforts to obtain adequate substitute space for Airline.

B. Other Airport Property

In the event of damage or destruction of Airport property caused by the Airline, its agents, employees, aircraft or other equipment, Airline agrees to repair, reconstruct or replace the affected property to the condition which existed prior to such damage or destruction, to the extent that same is not covered by insurance required under this Agreement. Airline further agrees to cause such repair, reconstruction or replacement of affected property with due diligence. Any environmental investigation or cleanup work performed by Airline under this Article shall be conducted in accordance with the requirements of ARTICLE 14 of this Agreement.

16. PURCHASE OF SUPPLIES AND SERVICES

A. Should Airline or its affiliated carriers, purchase flight meals or beverages for consumption by its passengers aboard its aircraft or other prepared foodstuffs for consumption within Airline's Premises from a third party other than an Airport Concessionaire authorized to provide such services or Airline's own flight kitchen, the Board may impose a percentage fee upon such suppliers for the privilege of doing business at the Airport in an amount no greater than the percentage fee paid the Board by an Airport Concessionaire for similar sales.

B. Should the Airline contract with a third party to provide maintenance and service upon its aircraft or to furnish ground services which might otherwise be performed by Airline under this Agreement, such third party shall be deemed to be conducting a business at the Airport, and prior to engaging therein, Airline will insure that such third party has an operating agreement with the Board. The Airline shall be responsible to the Board for any third party performing for or contracted by the Airline, and Airline shall assume all responsibility and liability in connection with such contracting. The Board may impose charges, rentals and fees upon such third parties for facilities used or for services provided.

C. Subject to the above, Airline may select suppliers, purveyors and furnishers of materials, supplies, equipment and services of its own choosing. Nothing in this Section shall be construed as in any way limiting the general powers of the Board to fully exercise its governmental or proprietary functions, or its obligations under any bond covenants, or federal, state or local laws, rules or regulations.

17. SECURITY

A. Airline recognizes its obligations for security on the leased Premises as prescribed by Transportation Security Administration and Federal Aviation Administration Regulations, and agrees to employ such measures as are necessary to prevent or deter the unauthorized access of persons or vehicles on its leased Premises and the aircraft operations area.

B. Airline further agrees to abide by reasonable rules and regulations adopted by the Board in carrying out the Board's obligations under the Transportation Security Administration and Federal Aviation Administration Regulations and other security measures the Board deems necessary from time to time, for the proper identification of persons and vehicles entering the aircraft operations area.

C. Airline shall reimburse the Board in full for any fines or penalties levied against the Board for security violations as a result of any actions or omissions on the part of the Airline, its agents, suppliers or employees for any violation of a security regulation or directive.

18. BOARD'S RIGHT TO ENTER PREMISES

The Board reserves the right to inspect the Premises and improvements at any reasonable time throughout the term of this Agreement. When, for any reason, an entry is deemed necessary, and Airline is not present to permit such entry, the Board, its agents and employees, shall be permitted to enter the Premises and improvements. The Board's agents or employees shall not be liable for any civil or criminal claim or cause of action for damage because of entering the Premises or improvements at reasonable times and in a reasonable manner.

19. INDEMNITY AND WAIVER OF DAMAGES

A. The Airline shall indemnify, hold harmless and defend the Board, the City and County of Spokane, their elected and appointed officials, agents, employees and representatives from and against any and all claims and actions, demands, damages, civil penalties, charges, judgments, losses, liabilities of any character or kind and other legal actions and proceedings of whatever nature, including reasonable attorney's fees (including fees to establish the right to indemnification) resulting from, arising out of, related to, or caused by Airline's conduct of business or from any activity or other things done, permitted, or suffered by Airline in, or about the Premises and/or Airport or other act or failure to act, excluding only claims or actions arising out of the sole negligence of the Board, the City and County of Spokane, their elected and appointed officials, agents and employees, provided that the Board shall give the Airline prompt and reasonable notice of any such claim or actions made or filed against it.

B. Airline further agrees to hold the Board, the City and County of Spokane, their agents, officials and employees free and harmless for any claims arising out of the damage, destruction or loss of any or all of Airline's equipment excluding any claims arising out of the sole negligence of the Board, the City and County of Spokane, their elected officials, agents and employees.

20. WAIVER OF SUBROGATION

A. The Board and Airline each waive any rights it may have against the other on account of any loss or damage occasioned to Board or Airline, as the case may be, their respective property, the Premises or its contents or to other portions of the Airport arising from any liability, loss, damage or injury caused by fire or other casualty for which property insurance is carried or required to be carried pursuant to this Lease. Each of the parties hereto, on behalf of their respective insurance companies insuring the property of either Board or Airline against any such loss, to the extent of any recovery under such insurance, waives any right of subrogation that it may have against the other. Each waiver shall be expressly included in, and shall comply with the requirements of the respective insurance policies. Should either or both of the respective insurance companies assess a charge for such waiver, each party shall pay only for the charges assessed by its respective insurer.

B. Airline further expressly waives any and all claims against the Board, the City and County of Spokane, their agents and employees of whatever nature, for any and all loss or

damage sustained by the Airline, except loss or damage caused by the sole negligence of the Board, its agents or employees, including interruption of the Airline's business operations, by reason of any defect, deficiency, failure or impairment of the Premises, or any utility service to or in the Premises, including, but not limited to, the water supply system, electrical wires leading to or inside the Premises, gas, electric or telephone service, or any other failure which may occur during the term of this Agreement from any cause.

21. INSURANCE

A. Airline shall, at its expense, maintain insurance in full force and effect during the term of this Agreement in such amounts as to meet the minimum limits of liability specified below, the insurance shall be placed with companies or underwriters authorized to do business in the State of Washington and carry a Best's rating no lower than A- VII or better, or equivalent companies acceptable to the Board. The insurance policy(ies) shall be the standard comprehensive airline insurance coverage and shall include, but not by way of limitation, bodily injury, property damage, products liability, equipment, aircraft and contractual coverage. The Board, the City and County of Spokane, their elected and appointed officials, employees and agents shall be named as additional insureds on all policies procuring the coverages required but only as respects to operations of the Named Insured as their interests may appear to the extent of the liability assumed by Airline in Article 19 - INDEMNITY AND WAIVER OF DAMAGES herein, provided that the inclusion of such additional insureds shall not operate to increase the limits of the insuring company's liability. Airline shall also maintain an insurance policy in an amount not less than Five Million (\$5,000,000) for all automobiles, (including owned, non-owned, leased and hired). Airline shall promptly upon execution of this Agreement, furnish to the Board appropriate certificates of insurance evidencing coverage affected and to be maintained for the term of this Agreement. The standard comprehensive airline insurance coverage outlined in this Article shall not be less than Two Hundred Fifty Million Dollars (\$250,000,000) combined single limit equal to and not less than Two Hundred Fifty Million Dollars (\$250,000,000) for bodily injury and property damage with respect to each occurrence and in the annual aggregate with respects to products and completed operations, property damage for contractual liability and passenger personal injury. The coverage shall be \$25,000,000 for each occurrence and in the annual aggregate with respect to non-passenger personal injury/advertising injury. Such limits shall be subject to periodic adjustments. Notice of cancellation or material change will only be provided if the insurance company cancels or materially alters the policy affecting the requirements of the Board. Where any policy(ies) has/have normal expirations during the term of this Agreement, written evidence of renewal shall be furnished to the Board within fifteen (15) days of the renewal date.

B. Board shall, at its expense, maintain Property Coverage insurance on the Terminal Building.

22. ADVERTISING AND SIGNS

Airline shall have the right, at its own expense, to install and maintain signs, permanent or temporary for the purpose of identification and advertising. Prior to installation of such signage, the Airline shall submit plans and obtain the approval of the Board. In the event the signs are removed and not replaced, Airline shall repair the area to its normal appearance.

23. TAXES

Airline agrees to pay all lawful taxes and assessments which, during the term hereof or any extension as provided for herein, may become a lien or which may be levied or charged by the state, county, city or other tax-levying body upon the Premises herein or upon any taxable interest acquired by the Airline in this Agreement, or any taxable possessory right which the Airline may have in or to the Premises or facilities hereby leased or the improvements thereon, by reason of its occupancy thereof, or otherwise, as well as all taxes on taxable property, real or personal, owned by the Airline in or about the Premises. Nothing herein shall prevent the airline from protesting through due process, any taxes levied. Upon any termination of this Agreement all taxes then levied or a lien upon any said property or taxable interest therein shall be paid in full without proration by the Airline forthwith, or as soon as a statement thereof has been issued by the tax collector if termination occurs during the interval between the attachment of the lien and issuance of statement.

24. GOVERNMENT RESERVATIONS AND RESTRICTIONS

The Premises being leased and rights granted by this Agreement shall be subject to all enforced reservations and restrictions, including but not limited to, the following:

A. It is understood and agreed to by Airline that nothing herein contained shall be construed to grant or authorize the granting of any exclusive right forbidden by the Airport Development Act, 49 U.S.C., 47101 et seq., and Section 308 of the Federal Aviation Act of 1958 and as amended.

B. During the time of war or national emergency, the Board shall have the right to lease the landing area or any part thereof to the United States Government for military or naval use and, if such lease is executed, the provisions of this Agreement insofar as they are inconsistent with the provisions of the agreement or lease with the Government, shall be suspended.

C. This Agreement shall be subject to the terms of any sponsor's assurances and agreements now required or imposed in the future, between the Board and the Federal Aviation Administration or any successor federal agency.

D. This Agreement shall be subordinate to the provisions of any existing or future agreement between the United States Government and the Board relative to the use, operation or maintenance of the Airport, the execution of which has been or may be required as a condition precedent to the expenditure of federal funds for the development of the Airport, by the provisions of the Airport Improvement Program, and as the program may be amended, or any other federal act, deed, grant agreement or program affecting the operation, maintenance of the Airport now or in the future; provided however, that the Board shall, to the extent permitted by law, use its best efforts to cause any such agreement to include provisions protecting and preserving the rights of Airline in and to the Premises and improvements thereon.

25. BOARD'S RIGHT OF CANCELLATION

In addition to any conditions as specified herein and all other remedies available to the Board, this Agreement shall be subject to cancellation by the Board should any one or more of the following occur:

A. If Airline shall make a general assignment for the benefit of creditors, or file a voluntary petition in bankruptcy or a petition or answer seeking its reorganization or the readjustment of its indebtedness under the federal bankruptcy laws or any other similar law or statute of the United States or any state, or government, or consent to the appointment of a receiver, trustee or liquidator of all or substantially all of the property of the Airline.

B. If by order or decree of a court of competent jurisdiction Airline shall be adjudged bankrupt or an order shall be made approving a petition seeking its reorganization, or the readjustment of its indebtedness under the federal bankruptcy law or any law or statute of the United States or any state, territory, or possession thereof, or under the law of any other state, nation or government; provided that, if any judgement or order be stayed or vacated within ninety (90) days after the entry thereof, any notice of cancellation given shall be and become null, void and of no effect.

C. If by or pursuant to any order or decree of court or governmental authority, board, agency or officer having jurisdiction, a receiver, trustee, or liquidator shall take possession or control of all or substantially all of the property of Airline for the benefit of creditors, provided that if such order or decree be stayed or vacated within sixty (60) days after the entry thereof or during such longer period in which Airline diligently and in good faith contests the same, any notice of cancellation shall be and become null, void and of no effect.

D. If Airline shall voluntarily abandon or discontinue the conduct and operation of its air transportation business at the Airport for a continuous period of ninety (90) days, except when such abandonment is caused by fire, earthquake, war, strike or other calamity beyond the Airline's control.

E. If Airline shall fail to perform, keep and observe any of the applicable covenants and conditions contained in this Agreement, provided that upon the happening of any contingency recited in this Section, Airline shall be given written notice to correct or sure such default, failure to perform or breach. If, within thirty (30) days from the date of receipt of such notice, the default, breach or complaint shall not have been corrected in a manner satisfactory to the Board, then in such event, the Board shall have the right at once to declare this Agreement terminated, unless Airline is, in good faith contesting such issuance of default under the provision of ARTICLE 35 – ARBITRATION herein. The Board does, however, reserve the right to extend the time period to correct the default if, in its opinion, due diligence is shown by Airline in curing the default.

F. If under any of the foregoing provisions of this Article, the Board shall have the right to re-enter and take possession of the Premises, the Board may enter and eject Airline and those claiming through or under it, and remove their property and effects (using reasonable force, if necessary) without any liability therefore; without prejudice to any remedies of the Board in the event of default by Airline; and without any interruption of the conduct of the affairs of Airline or those claiming through or under it.

26. AIRLINE'S RIGHT OF CANCELLATION/ABATEMENT

A. Airline, upon ceasing operations at the Airport, shall have the right to terminate this Agreement upon nine (9) months' written notice and shall remain obligated to pay rents, fees and charges which accrue during said nine (9) months. In the event Airline fails to give such notice, Airline agrees to continue its obligation to pay facility rent for Premises and facilities demised herein for a minimum period of nine (9) months or the equivalent of the average annual rent for all signatory airlines divided by the current number of signatory airlines. If another air transportation carrier acceptable to the Board agrees to assume all or part of Airline's rental payments, such obligations shall be reduced by the amount assumed by such replacement carrier(s).

B. In addition to all other remedies available to the Airline, this Agreement shall be subject to cancellation by Airline should any one or more of the following occur:

1. The permanent abandonment of the Airport as an air carrier airport;
2. The issuance of any order, rules or regulation by the Federal Aviation Administration, or its successor federal agency, or the issuance by an court of competent jurisdiction of an injunction, materially restricting for a period of at least ninety (90) days, the use of the Airport for scheduled air transportation; provided that none of the foregoing has been initiated, caused or contributed to by the Airline;
3. The breach by the Board of any covenants, terms or condition of this Agreement to be kept, performed and observed by the Board and the failure to remedy such breach for a period of sixty (60) days after written notice from Airline of the existence of such a breach;
4. The assumption by the United States Government or any authorized agent of the same, of the operation, control or use of the Airport and its facilities in such a manner as to substantially restrict Airline from conducting its air transportation business, if such restrictions be continued for a period of ninety (90) days or more;
5. The inability of Airline to conduct its business at the Airport in substantially the same manner and to the same extent as theretofore conducted, for a period of at least ninety (90) days, because of (1) any law, or (2) any rule, order, judgement, decree, regulation or other action or nonaction of any governmental authority, board, agency or officer having jurisdiction thereof, without fault of the Airline;
6. The taking of the whole or any part of the demised Premises by the exercise of any right of condemnation or eminent domain.

C. In the event any of the contingencies described in ARTICLE 26 - AIRLINE'S RIGHT OF CANCELLATION/ABATEMENT, Section B, Paragraphs 1, 2, 4, 5 and 6 herein occur, the rent shall be abated for those portions of Airline's Premises which are rendered untenable from the time of such happening until affected Premises are returned for Airline's use.

27. AGREEMENT SUBORDINATE TO BOND ORDINANCE

This Agreement and all rights of the Airline hereunder are expressly subordinated and subject to the lien and provisions of any pledge or assignment made by the Board, the City of Spokane or County of Spokane to secure any bonds authorized by law to be issued for the development or improvement of Spokane International Airport, and the Board and the Airline agree that the holders of the said bonds shall possess, enjoy and may exercise all rights of the Board hereunder to the extent such possession, enjoyment and exercise are necessary to ensure compliance by Airline and the Board with the term and provisions of the bond covenant.

28. ASSIGNMENT AND SUBLETTING

A. Neither Airline nor any assignee or other successor of Airline shall in any manner, directly or indirectly, by operation of law or otherwise, assign, sublet, transfer or encumber any of Airline's rights in and to this Agreement or any interest therein, nor license or permit the use or the rights herein granted in whole or in part without the prior written consent of the Board. Such consent shall not be unreasonably withheld providing that any such assignee shall be a bonafide air carrier or other party qualified to do business on the Airport, acceptable to the Board, and possess sufficient financial security to ensure compliance with all the terms and conditions of this Agreement. Operating Affiliate may occupy Airline Premises, if such Operating Affiliate has met the requirements outlined in Article 10 – Operating Affiliates of this Agreement.

B. Airline shall have the right to assign all of its rights and interests under this Agreement to any successor to its business through merger, consolidation or voluntary sale or transfer of substantially all of its assets to a presently operating major commercial air carrier, in which event the consent of the Board thereto shall not be required, but due notice of any such assignment shall be given to the Board within sixty (60) days after such assignment is executed.

29. RELOCATION

In order to accommodate any new construction or remodeling under ARTICLE 30 - ACCOMMODATION OF NEW AND/OR EXISTING CARRIERS, it is agreed that the Board may require the partial relocation of the Airline or the partial substitution of other premises than those hereby demised, provided such relocation or substitution is necessary for the orderly expansion and development of Airport facilities. In the event of such relocation and substitution, the Board will provide as comparable a location and facility as possible and as reasonably contiguous to the unaffected Premises as possible. The cost of any such relocation or substitution shall be borne by the party responsible therefore, all as provided under ARTICLE 30 - ACCOMMODATION OF NEW AND/OR EXISTING CARRIERS provided that no party shall be liable for any loss of business resulting from such relocation or substitution. Any decision made herein shall not be subject to ARTICLE 35 – ARBITRATION, herein.

30. ACCOMMODATION OF NEW AND/OR EXISTING CARRIERS

The parties hereto agree that every reasonable effort will be made to accommodate any other incoming or incumbent airline, such carrier to be referred to hereinafter as "Requesting Airline." The parties agree that the Board will make every effort to accommodate such Requesting Airline through direct lease of premises between the Board and Requesting Airline.

In the event no premises which will accommodate the Requesting Airline are available for lease from the Board, the parties hereto recognize that it may become necessary to share the use of the Premises demised herein with other air carriers so as to reasonably accommodate new and/or additional air transportation service at the Airport, and to afford Requesting Airline the opportunity to share use of Airline's demised Premises (including but not limited to, passenger hold rooms, loading bridges, ticket counters, bag make-up areas and aircraft parking positions). In determining whether the use by Requesting Airline is reasonable and possible, Airline will have the right to consider the compatibility of the proposed operations of the Requesting Airline with those of Airline, the operations of those with whom Airline has sublease or handling agreements, Airline's existing and future flight schedules, the need for labor harmony, and the availability of other premises at the Airport. Should Requesting Airline's requirements not be reasonably accommodated by other Scheduled Air Carriers, the Airports Director, acting on behalf of the Board, shall convene a meeting of all Scheduled Air Carriers at the Airport (including Airline) in an effort to reasonably accommodate the Requesting Airline.

In the event such efforts as outlined above fail to provide reasonable accommodations and facilities for the Requesting Airline, the following provisions with regard to Exclusive Use Space and Preferential Use Space will be enacted by the Airports Director on behalf of the Board:

A. Exclusive Use Space – The Board reserves the right to provide Exclusive Use Space as defined herein, to the Requesting Airline; such accommodation(s) to be provided by remodeling and/or new construction. Such decision shall be made after consultation with all tenant Scheduled Air Carriers (including Airline).

1. Remodeling will be treated as a tenant improvement and sole cost will be borne by Requesting Airline and the rent per square foot per annum will be assessed at the same rate as that paid for similar space under lease by other Scheduled Air Carriers at the Airport. If, as a result of such remodeling, the square footage of the public areas is reduced, such reduction will be reflected in the base rate paid by all Scheduled Air Carriers at the Airport.

2. In the event of new construction, costs involving additions or building modifications (including financing cost, if appropriate) will be allocated according to the per square foot cost of such construction. Requesting Airline will pay this per square foot rate for such leased area as its base rent plus its share of the Airport costs. The per square foot cost for increased public areas created as a result of such construction will be included in the rate base paid by all Scheduled Air Carriers at the Airport (including Airline).

B. Preferential Use Space – In the event that secondary use of Preferential Space cannot be accomplished or is not desirable to the Requesting Airline, it shall be the responsibility of such Requesting Airline to bear all costs necessary to provide such space through remodeling and/or construction. Such remodeling and/or construction shall be subject to the provisions of ARTICLE 13 - CONSTRUCTION, MAINTENANCE AND REPAIRS OF AIRLINE'S LEASEHOLD IMPROVEMENTS/TRADE FIXTURES herein.

31. ADVANCES BY THE BOARD

If the Airline should fail to do anything required to be done under the terms and conditions of this Agreement, except for the payment of rents, fees or charges, the Board may, at

its sole option and after giving written notice to the Airline, perform such act on behalf of the Airline. Upon notification to the Airline of the cost thereof by the Board, the Airline shall promptly pay the Board the amount due.

32. LEGAL CLAIMS AND ATTORNEY FEES

A. Each party hereto shall promptly report to the other any claim or suit against it arising out of or in connection with the operation of the Airline's scheduled air carrier service at the Airport. The Board and Airline shall each have the right to compromise and defend the same to the extent of its own interest; provided the defense of the same has not been tendered and accepted by the other party. The Airline is an independent contractor in every respect, and not the agent of the Board.

B. If any legal action is instituted by the parties hereto to enforce this Agreement, or any part thereof, the prevailing party shall be entitled to recover reasonable attorney's fees and court costs. Any such legal action shall be commenced and maintained in Spokane County, Washington, regardless of Airline's residence or place of business.

33. LIENS AND ENCUMBRANCES

Airline agrees that it shall pay, or cause to be paid, all costs and expenses for work done, materials delivered, and professional services provided to the Premises for improvements done at Airline's request, during the leasehold term for improvement to the Premises. Airline shall keep the Premises free and clear of all mechanic's or materialmen's liens or any other liens on account of any work done on the Premises at Airline's request. Airline agrees to and shall indemnify, and hold the City of Spokane, County of Spokane, and the Board free from and harmless against all liability, loss, damage, cost, attorney's fees and all other expenses on account of claims of lien of laborers or materialmen, or others, for work performed or materials or supplies furnished to Airline for use on the Premises.

34. CONTRACTING ON MORE FAVORABLE TERMS

A. Board covenants and agrees that in the event it enters into any lease, contract or any other agreement with any other scheduled airline containing more favorable terms than this Agreement, or grants to any certificated airline rights, privileges, or concessions with respect to the Airport which are not accorded Airline hereunder, it shall advise Airline of such action and this Agreement shall, at Airline's option, be amended to incorporate such rights, terms, privileges and concessions, or any of them as part of this Agreement.

B. In the event that any scheduled airline shall undertake any operations at the Airport for the carriage of passengers, cargo or mail by air, Board shall require, to the extent legally permissible, such airline to execute and deliver an agreement, lease or contract with Board providing for:

1. The payment of landing fees at rate not less than those rates then in effect for the Airline, and on such other terms and conditions that are not more favorable than those terms and conditions then in effect for the Airline; and

2. The payment of (a) rentals, for any space leased from Board in the Terminal Area at rates not less than those rates then payable by the Airline for similar space; provided, however, that if space has been constructed by Board for such carrier and the rental rates then payable by the Airline for similar space would not fairly compensate Board for the cost of providing, maintaining, operating and administering such space over the term of its agreement with such airline, then at rental rates that will fairly compensate Board; or (b) terminal operations charges, if such airline does not lease, sublease or hold space pursuant to a permit in the Terminal Area, which charge shall be payable for each aircraft arrival in the Terminal Area in an amount that will fairly compensate Board; and

3. The payment for use by such airline of the common use areas and operating costs of all baggage handling, public address or other passenger service systems, calculated and billed to such airline as in the case of the Airline.

35. ARBITRATION

In the event of any failure by the Board and the Airline to agree on the rental rates of this Agreement, the disagreement shall be resolved by three (3) arbitrators. After notice by either party requesting arbitration, one (1) arbitrator shall be appointed by each party within ten (10) days. Notice of the appointment shall be given by each party to the other when made. The arbitrators so appointed shall immediately choose a third arbitrator to act with them. If they fail to select a third arbitrator, on application by either party, the third arbitrator shall be appointed pursuant to the laws of the State of Washington. Each party shall bear the expense of its own appointed arbitrator, its own attorney fees, investigative costs, and shall bear all other expenses equally. Said arbitration shall take place in Spokane, Washington, and shall be binding upon both parties except that no decision of the arbitrators arising out of any dispute of ARTICLE 4 – ADJUSTMENT OF RENTS, FEES AND CHARGES, herein, shall be binding on the Board if such decision would cause the Board to be in violation of its obligations under Revenue Bond Covenants or the Joint Operating Agreement for the Airport between the City and County of Spokane.

36. NONDISCRIMINATION

To the extent required by law, Airline, for itself, its personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree as follows:

A. No person, on the grounds of race, color, religion, sex, age, marital status, handicap or national origin, shall be unreasonably excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in Airline's personnel policies and practices or in the use or operation of Airline's services or facilities.

B. Airline agrees that in the construction of any improvements on, over or under Airport land and the furnishing of services thereon, no person, on the grounds of race, color, religion, sex, marital status, handicap, age or national origin, shall be unreasonably excluded from participation in, denied the benefits of, or otherwise be subjected to discrimination.

C. Airline shall use the Premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle

A, Office of the Secretary, Part 21, Non-discrimination in Federally Assisted Programs of the Department of Transportation-Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

D. It is the policy of the Department of Transportation that minority business enterprises as defined in 49 CFR Part 23, i.e., firms owned and controlled by minorities; firms owned and controlled by women and firms owned and controlled by financially disadvantaged persons; shall have the maximum opportunity to participate in the performance of leases as defined in 49 CFR Section 23.5. Consequently, this Agreement is subject to 49 CFR Part 23 as applicable.

E. This Agreement is subject to the requirements of the U.S. Department of Transportation's regulations, 49 CFR Part 23, subpart F. The Airline agrees that it will not discriminate against any business owner because of the owner's race, color, national origin or sex in connection with the award or performance of any lease agreement covered by 49 CFR Part 23, subpart F.

F. Airline agrees to include the above statements in any subsequent agreements that it enters and cause those businesses to similarly include the statements in further agreements.

G. Airline hereby assures that no person shall be excluded from participation in, denied the benefits of or otherwise discriminated against in connection with the award and performance of any contract, including leases, covered by 49 CFR Part 23 on the grounds of race, color, national origin or sex.

H. Airline hereby assures that it will include the above clauses in all sub-leases and cause sub-lessees to similarly include clauses in further sub-leases.

37. PRIOR AND COLLATERAL AGREEMENTS

This Agreement shall constitute the entire Agreement between the parties and no other stipulation, agreement or understanding, written or oral, expressed or implied of the parties hereto or of their agents, relating to the lease and use of the Premises demised in ARTICLE 2 - PREMISES AND FACILITIES herein, shall limit or modify its terms. This Agreement shall, as of the commencement date hereof, cancel and supersede all prior agreements, written or oral, expressed or implied, between the parties for the rights granted herein. This Agreement shall not be subject to modification or change except by written instrument duly signed.

38. SEVERABILITY

If any term or provision of this Agreement shall to any extent be held invalid or unenforceable, the remaining terms and provisions of this Agreement shall not be affected thereby, but each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

39. NON-WAIVER OF BREACH

The waiving of any of the covenants of this Agreement by either party shall be limited to the particular instance and shall not be deemed to waive any other breaches of such covenants.

The consent by the Board to any act by Airline requiring Board's consent shall not be deemed to waive consent to any subsequent similar act by Airline.

40. VENUE

This Agreement is to be construed in accordance with the applicable laws, rules and regulations of the State of Washington and the County of Spokane.

41. TIME OF ESSENCE

It is mutually agreed that time is of the essence in the performance of all covenants and conditions to be kept and performed under the terms of this Agreement.

42. HOLDOVER POSSESSION OF PREMISES BY AIRLINE

Any holding over at the expiration or termination of the term of this Agreement, with or without the consent of the Board, shall constitute a tenancy from month to month. The month-to-month tenancy shall be subject to all other terms and conditions of this Agreement, with the exception of rates, charges and fees; which amounts shall be determined prospectively and solely by the Board.

43. SURRENDER OF POSSESSION

Upon the expiration of this Agreement or its earlier termination as herein provided, Airline shall remove all of its property from the Airport and surrender entire possession of its rights at the Airport to the Board, unless this Agreement is renewed or replaced.

44. APPROVAL OR DIRECTION BY BOARD

Wherever consent, approval or direction by the Board is required under this Agreement, such consent, approval or direction by the Board shall be effective if given by the Airports Director or his designee in the manner set forth in this Agreement. Nothing requiring consent, approval or direction from the Board shall be unreasonably requested by Airline nor shall such consent, approval or direction be unreasonably withheld by the Board.

45. NOTICES

All payments, demands and notices required herein shall be deemed to be properly served if hand delivered, or if sent by certified or registered mail, postage prepaid, to the last address previously furnished by the parties hereto. Until hereafter changed by the parties, in writing, notices shall be addressed as follows:

BOARD: SPOKANE AIRPORT BOARD
9000 W. Airport Drive, Suite 204
Spokane, WA 99224

AIRLINE: _____

The date of service of such notice shall be the date such notice is deposited in a Post Office of the U.S. Post Office Department.

46. PARAGRAPH HEADINGS

Paragraph headings contained herein are for convenience in reference only, and are not intended to define or limit the scope of any provisions of this Agreement.

IN TESTIMONY WHEREOF, witness the signature of the parties hereto the day and year first above written.

SPOKANE AIRPORT BOARD

Title: _____

AIRLINE

ATTEST:

Title: _____

Title: _____

RECOMMENDED APPROVAL, TERMS
AND CONDITIONS BY:

Gratton O. Sealock, II
Airport Director

AIRLINES, LEASED PREMISES, (Effective January 1, 2010)

(EXHIBIT A)

	SQ. FT.	RENT PSFPM
AIRLINE'S EXCLUSIVE SPACE		
Ticket Wing		
Ticket Counter(s)	_____	\$3.68
Office	_____	\$3.51
Instant Travel Machine	_____	\$3.68
Lower Concourse __		
Office	_____	\$2.24
Maintenance	_____	\$2.08
Operations	_____	\$3.20
Storage	_____	\$2.08
Communication Room	_____	\$3.20
Bag Wing		
Baggage Cabinets	_____	\$2.08
Baggage Service	_____	\$3.51
AIRLINE'S PREFERENTIAL SPACE		
Concourse __:		
Queuing Area	_____	\$3.68
Hold Area (Gate __)	_____	\$3.68
Hold Area Chairs (Alaska/Horizon only)	_____	\$4.21/mo/each
Parking Positions () (Gate __)	_____	\$425.00/mo/each
Jet Bridge () (Gate __)	_____	\$1,560.00/mo/each
Baggage Makeup (Southwest only)	_____	\$2.56
Ramp –Equipment Storage	_____	\$0.30
Glycol Pad	_____	\$0.30
Communications (Off Leasehold)	_____	\$3.20
AIRLINE'S COMMON USE SPACE ⁽¹⁾		
Baggage Claim	_____	\$3.68
Baggage Delivery	_____	\$2.56
Baggage Makeup	_____	\$2.56
Baggage Makeup/Delivery - Janitorial	_____	\$0.10
Triturator	_____	\$2.08

⁽¹⁾ Rents for Common Use Space are allocated based on the formula outlined in Article 3 – RENTS, FEES AND CHARGES, Paragraph A of this Agreement.

Aircraft Storage Fee: \$90.00 per aircraft per day (except for scheduled RON aircraft at gate).

Landing Fee: \$1.73 per 1,000 lbs. of Certificated Maximum Gross Landing Weight subject to adjustment in accordance with EXHIBIT B.

Security Identification: \$35.00 fingerprinting per person, \$15.00 badge issuance per person.

Employee Parking: \$18.00 per month per employee – outside employee lots.

Per Use Fee For Unleased Gates: (\$210.00 per use)

Jet Bridge With Power Unit: Electrical consumption to be billed monthly based on meter reading)

AIRLINE NAME

EXHIBIT B

LANDING FEE FORMULA

TOTAL OPERATING REVENUES (Excluding Scheduled Airline Landing Revenues)	\$ _____
LESS: Total M&O Expenses	- _____
LESS: Average Annual Debt Service	\$ _____
30% Coverage Requirement	\$ _____
TOTAL DEBT SERVICE AND COVERAGE REQUIREMENT	\$ _____
LANDING FEE REVENUE REQUIREMENT	\$ _____
X = Landing Fee per 1,000 Pounds Maximum Certificated Landing Weight of Aircraft	
(Forecasted Landing Weights) (X) = Landing Fee Revenue Requirement	
X = $\frac{\text{Landing Fee Revenue Requirement}}{\text{Forecasted Landing Weights}}$	\$ _____

Landing Fee adjustments, either upward or downward, shall be made in accordance with the Landing Fee Formula shown above as its elementary entries change. Such adjustments will be made on a semi-annual basis or in a timely manner to ensure the thirty percent (30%) coverage requirement is met by each year-end.

AIRLINES
USE OF PREMISES

EXHIBIT C

EXCLUSIVE SPACE	LOCATION*	PRIMARY USE PERMITTED
Offices	Ticket Wing Concourses	Station Administration
Ticket Counter	Ticket Wing	Passenger & Baggage Processing
Operations	Lower Concourse	Gate, aircraft handling operations & employee lounge
Maintenance	Lower Concourse	Equipment Maintenance
Baggage Cabinet	Bag Wing	
Baggage Service	Bag Wing	Processing of lost baggage for deplaning passengers
Instant Travel Machines	Ticket Wing	Travel Check in
PREFERENTIAL USE	LOCATION*	PRIMARY USE PERMITTED
Queuing Area	Ticket Wing	Passenger queuing
Hold Area	Upper Concourse	Passenger waiting & boarding
Loading Bridges	(Horizon –Lower Concourse) Upper Concourse/Apron	Passenger enplanements/deplanements
Aircraft Parking	Concourse Apron	Aircraft parking for enplanements/deplanements
Baggage Makeup (Southwest only)	Ticket Wing	Baggage Processing for Outbound Flights
Ramp	Concourse Apron	Equipment Storage
Glycol Pad	Fuel Facility	Storage of Glycol
Communications Off Leasehold	Terminal	Placement of Communication Equipment
COMMON USE	LOCATION*	PRIMARY USE PERMITTED
Triturator	Adjacent to Fire Station	Waste Disposal
Baggage Makeup	Ticket Wing	Baggage processing for outbound flights
Baggage Delivery	Bag Claim Wing	Baggage processing for deplaning passengers
Baggage Claim	Bag Claim Wing	Baggage pickup for deplaning passengers

“As shown on **EXHIBIT A**”

AIRLINES

EXHIBIT D

Division of Board (B) and Airline (A) responsibility for maintenance and repair in Airline’s Exclusive and Preferential Spaces. Where Board responsibility is indicated, it is for maintenance and repair under normal use conditions.

	<u>Exclusive</u> ⁽¹⁾	<u>Preferential</u> ⁽²⁾
Janitorial Service & Supplies	A	B
Exterior Building Maintenance	B	B
Exterior Window Washing	B	B
Interior Window Washing	A	B
Light Fixtures – Clean & Relamp	A	B
Air Conditioning & Heating Systems	B ⁽³⁾	B
Painting	A	B
Floor Covering	A ⁽⁴⁾	B
Glass Replacement	A	B
Door & Lock Repair	A	B
Loading Bridges	N/A	B
PA System	B	B
Overhead Doors	A	B ⁽⁷⁾
Telephone System ⁽⁵⁾	A	A
Plumbing System	B	B
Decorations, Furniture, Special Lighting	A	A
Clocks	A	B
Trash Removal	A	B
Gate & Directional Signs	B	B
Grounding Rods	N/A	B
Window Blinds	A	B
Pavement Repair	N/A	B
Snow Removal ⁽⁶⁾	A	A
Pavement Cleaning ⁽⁶⁾	A	A
Pavement Striping	A	A
Communication/Computer Equipment	A	A
Electrical/Gas/Water Consumption	B	B
Baggage Handling System/Loading bridges	B ⁽⁷⁾⁽⁸⁾	B ⁽²⁾⁽⁷⁾⁽⁸⁾
Common Use Areas	SEE “NOTE”	
Communications (Off Leasehold)		A

- (1) Exclusive Space: Ticket Counter; Office; Bag Make-up (**SW only**); Operations; Maintenance; Baggage Service and Storage
- (2) Preferential Space: Hold Area; Queuing Area; Aircraft Parking Positions; Loading Bridges, Ramp, Glycol Pads and Baggage Make-up
- (3) Board will maintain where central system is installed
- (4) Board will maintain ceiling tiles above Ticket Counter Space
- (5) Board will maintain Airport paging system
- (6) Board will assist as time and priority permit
- (7) Airline will be responsible for any labor and material costs to repair Baggage Handling System, including improper loading, and for any labor and material costs to repair any Common Use Areas including Overhead Doors due to Airline’s negligence, excluding normal wear and tear.
- (8) Utility costs and maintenance costs for any equipment installed by Airline on Loading Bridges shall be the sole responsibility of the Airline.

NOTE: All maintenance and repair (excluding janitorial service) of Common Use Areas (Baggage Claim, Baggage Delivery, Baggage Makeup, Triturator Room,) will be performed by the Board with the exception of any of the Airline’s personal property located in or upon the Common Use Area.

EXHIBIT E

ENVIRONMENTAL REPORTING

1. Airline's conduct and operations as related to any operations involving or arising from the Leased Premises shall at all times be in compliance with all statutes, ordinances, regulations, and orders now existing or hereafter enacted by any applicable authority or requirements of common law, including, but not limited to Environmental Laws. Airline shall obtain all permits, licenses, or approvals and shall make all notifications and equipment modifications as required to conduct its operations at the Leased Premises or comply with its obligations under this Agreement. Airline shall at all times comply with the terms and conditions of any such permits, licenses, approvals, or notifications.

2. Airline shall within thirty (30) days, for ongoing matters, and within seventy-two (72) hours, for all matters occurring after the execution of this Agreement, provide to the Board copies of:

(a) Applications or other documentation submitted to any governmental agency pursuant to any Environmental Laws as related to any operations involving or arising from the Leased Premises;

(b) Any notification submitted to a government agency pursuant to the Environmental Laws with respect to the existence of an adverse environmental impact at the Leased Premises or related proceedings;

(c) Any permit, license, approval, or amendment or modification thereto as related to any operations involving or arising from the Leased Premises granted pursuant to the Environmental Laws;

(d) Upon Board's request, at reasonable times, any record or manifest as related to any operations involving or arising from the Leased Premises required to be maintained pursuant to the Environmental Laws;

(e) Any notice of violation, summons, order, or complaint, but excluding communication protected by attorney-client privilege, threatening or relating to any of the foregoing received by Airline pertaining to compliance with the environmental laws as related to any operations involving or arising from the Leased Premises.

The contact for submitting such copies, unless otherwise informed, is the Airport's Environmental Manager.

Spokane International Airport
Attn: Environmental Manager
9000 W. Airport Dr., Suite 204
Spokane, WA 99224

In the event of a release or threatened release of Hazardous Substances into the environment relating to or arising out of Airline's use or occupancy of the Leased Premises and/or common use areas during the term of this Agreement, Airline shall immediately notify the Board by calling Airport Dispatch at 509.455.6429 which shall be confirmed by Airline in writing within forty-eight (48) hours, unless such Release or threatened Release is less than a reportable quantity, and the total volume of the Release can be immediately and completely remediated and poses no risk of harm to health, the environment or of permanent damage to Board property. Releases of jet fuel, aviation gasoline or other petroleum products must be immediately reported to the Board.



SPOKANE AIRPORTS
 REQUEST FOR APPROVAL _____
 IMPROVEMENTS/MODIFICATIONS/INSTALLATIONS/SIGNS, ETC.

TENANT: _____

DESCRIBE CHANGES: _____

TIME TO COMPLETE: _____

ATTACHMENTS (drawings, etc.): _____

SECURITY PLAN (badged/escorted workers): _____

PROPOSED USE OF PREMISES: _____

 Requestor

 Date

FOR AIRPORT'S USE – Attach additional pages if necessary

<u>ROUTE</u>	<u>COMMENTS/ RECOMMENDATION</u>	<u>INITIALS/DATE</u>
Mgr. of Prop. & Contracts	_____	_____
IT Manager	_____	_____
Dir. of Engineering	_____	_____
Mgr. of Operations	_____	_____
Term. Maint. Supervisor	_____	_____
Fire Chief	_____	_____
Police Chief	_____	_____
Deputy Director	_____	_____

EXHIBIT F