
SIGNATORY PASSENGER AIRLINE LEASE AND OPERATING AGREEMENT

BETWEEN

THE PORT OF PORTLAND

AND

[[AIRLINE]]

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SIGNATORY PASSENGER AIRLINE LEASE AND OPERATING AGREEMENT

This SIGNATORY PASSENGER AIRLINE LEASE AND OPERATING AGREEMENT ("Agreement") effective _____, 2010 ("Effective Date") is between **THE PORT OF PORTLAND** ("Port"), a port district of the State of Oregon, and **AIRLINE**, a _____ organized under the laws of the State of _____ ("Airline").

RECITALS

A. The Port is the owner and operator of the Portland International Airport ("Airport"), located in Portland, Oregon.

B. The Airline desires to lease or acquire the right to use certain Airport facilities from the Port.

THEREFORE, the parties, intending to be legally bound by the terms and conditions contained in this Agreement and in consideration of the mutual covenants contained in this Agreement, hereby agree to the following terms and conditions.

1. DEFINITIONS

For the purposes of this Agreement, the following definitions shall apply.

"**Affiliate**" means (a) any Air Carrier flying in or out of the Airport solely for the benefit of another Air Carrier(s), under the livery of that Air Carrier, and under contract to that Air Carrier(s); or, if flying under its own livery, is not selling any seats in its own name and all seats are being sold in the name of the Air Carrier the Affiliate is under contract to; or (b) a wholly owned subsidiary of Air Carrier or a subsidiary of the same corporate parent of the Air Carrier. For the purposes of this Agreement, the Air Carrier that contracts with the Affiliate is referred to as the Contracting Carrier. An Affiliate shall be considered an agent of the Contracting Carrier for which it flies. Any Air Carrier(s) that flies under its own livery and sells seats in its own name shall not be classified as an Affiliate.

"**Agreement**" means this particular *Signatory Passenger Airline Lease and Operating Agreement*, as the same may be amended or supplemented from time to time. References to "**Signatory Agreement**" herein means the *Signatory Passenger Airline Lease and Operating Agreement*.

"**Air Carrier**" means a business engaged in scheduled or non-scheduled commercial air transportation of persons, property and/or mail.

"**Aircraft Apron**" means that part of the ramp area used for the loading and unloading of passengers and cargo from aircraft, servicing aircraft, and maneuvering aircraft to and from active taxiways.

"**Airfield**" means areas and facilities provided for the landing, takeoff, and taxiing of aircraft, including all runways, taxiways, ramps and aprons; aircraft parking areas; areas required for approach and clear zones; airfield access and related roadways; aviation easements and other related support facilities (i.e., lighting, navigational aids, etc.).

"**Airfield Cost Center**" means the Cost Center to which Revenues and expenses associated with the Landing Area, excluding the Aircraft Apron, are allocated. The "Airfield Cost Center" shall include a portion of Indirect Cost Centers, as specified in **Exhibit E**.

"**Airline**" means the Air Carrier identified in the first sentence of this Agreement, above, who is also a Signatory Airline by virtue of signing this Signatory Agreement.

"**Airport and Airline Affairs Committee**" or "**AAAC**" means a committee composed of one representative of each Signatory Airline and each Signatory Cargo Carrier, which representative shall be empowered to speak on behalf of the represented Signatory Carrier on matters brought before the committee and the Director of Aviation and his or her staff.

"**Airport and Airline Affairs Committee Chair**" or "**AAAC Chair**" means the individual designated by the AAAC as the lead committee member; however, the AAAC Chair shall have no greater authority than any other airline in the AAAC.

"**Airline Cost Centers**" or "**Airline Supported Areas**" means the Airfield Cost Center and the Terminal Cost Center.

"**Airport**" means the Portland International Airport, owned and operated by the Port, and all additions, expansions and improvements thereto, the boundaries of which are more particularly depicted on **Exhibit A**, attached hereto, as the same may be changed by the Port from time to time.

"**Airport Certification Manual**" or "**ACM**" means the document prepared and maintained by the Airport operator outlining measures intended to comply with requirements of CFR 14 Part 139, "Certification and Operations: Land Airports Serving Air Carriers." The ACM contains operating procedures, facilities and equipment, responsibility assignments, and any other information needed by personnel concerned with operating the Airport in order to comply with applicable provisions of FAR Part 139.

"**Airport Fund**" means that fund so defined in Ordinance No. 155, as amended, and as may be amended, from time to time.

"**Airport General Account**" means that account designated as the "**General Account**" in Section 13 of Ordinance No. 155, as amended, and as it may be amended from time to time.

"**Airport Layout Plan**" means the FAA required scaled drawing of existing and proposed land and facilities necessary for the operation and development of the Airport.

"**Airport Security Program**" or "**ASP**" means the confidential Airport security program required by 49 CFR 1542 and approved by the TSA, that describes the security requirements that must be implemented at the Airport. The current ASP is provided to Airline's Station Manager, and is also on file in the Airport's Security Department and Legal offices.

"**Apron Fees**" means the Revenues earned from use of the Aircraft Aprons.

"**Baggage Claim Areas**" means those areas of the Terminal designated for delivery of in-bound baggage to arriving passengers and also those areas of the enclosed baggage road designated for delivery of baggage from the aircraft into the Terminal, and is shown, as currently configured, on **Exhibit G**.

"Baggage Consortium" means a consortium formed by airlines that will be responsible for the ongoing operation of the baggage handling system for the use of any Air Carrier serving the Airport.

"Baggage Make-up Areas" means those areas of the Terminal and those devices used to sort out-bound baggage for delivery to departing aircraft.

"Baggage Make-up Overflow Areas" means those Baggage Make-up Areas made available by the Port to Airlines to accommodate seasonal and peak period baggage volume increases.

"Best Management Practices" means those environmental or operational standards: (a) implemented by a business or industry group pertinent to Airline operations as a matter of common and accepted practice; or (b) developed by Airline for use in Airline's operations.

"Business Day" means Monday through Friday and shall exclude Saturday, Sunday and Legal Holidays.

"Capital Expenditure" means an expenditure made to acquire, purchase or construct a single capital item (**"Capital Improvement"**) for the purpose(s) of operating, improving, maintaining or developing the Airport. For the purposes of this Agreement, a Capital Improvement shall have a gross cost in excess of FIVE THOUSAND DOLLARS AND NO CENTS (\$5,000.00), and an economic life greater than one (1) year.

"Capital Improvement" is defined within the definition of Capital Expenditure.

"Capital Improvement Program" or **"CIP"** means the Port's Capital Improvement Program for capital projects opened between July 1, 2010, and June 30, 2015, funded through the Airline Cost Centers and the Airline allocated portions of the shared Cost Centers.

"Cargo Carrier" means an Air Carrier in the business of transporting property by air, but not passengers, which company has signed a *Signatory Cargo Carrier Operating Agreement* with the Port.

"Commencement Date" means July 1, 2010, and is the date upon which this Signatory Agreement went into effect for all Signatory Airlines serving the Airport on that date.

"Common Use Equipment" means equipment, seating, electronics, hardware and software that the Port reserves for the flexible and temporary use of any Air Carrier serving the Airport.

"Common Use Gates" means any Port controlled gates, excepting gates associated with Non-Preferential Ground Load Holdrooms, not assigned by the Port as Preferential Space to any Air Carrier, and which the Port reserves for the flexible and temporary use of any Air Carrier serving the Airport. Common Use Gates include all equipment and utilities necessary to operate from the gates, including loading bridges, ground power units, and potable water supply.

"Common Use Space" means Port controlled ticket counter, ticket office, equipment, Kiosks and gates which the Port has not leased and which it reserves for the flexible and temporary use of any Air Carrier serving the Airport.

"Common Use Ticket Counters" means any ticket counter not assigned by the Port as Exclusive Space to any Air Carrier, and which the Port may reserve for the flexible and temporary use of any Air Carrier serving the Airport. Common Use Ticket Counters shall include a Baggage Make-up Area.

"Common Use Ticket Offices" means each of nine (9) offices located directly behind the Common Use Ticket Counters which the Port will make available for rent to support that Common Use Ticket Counter.

"Concessionaire" means any business entity other than Air Carriers permitted by the Port to sell goods and/or provide services at the Airport, primarily to support the air transportation of passengers, guests and employees based at the Airport in accordance with Port Ordinances, and the PDX Rules as they may be supplemented or amended from time to time. Concessions businesses include without limitation, retail sales, food and beverage sales, passenger services, and rental car services.

"Connecting Passenger" means any passenger who is a through passenger, including those who are connecting or transferring between aircraft, and their baggage continues on to a destination beyond the Airport.

"Contracting Carrier" means a Signatory or Non-Signatory Airline who contracts with another Air Carrier that is an Affiliate. The Affiliate provides transportation of property or passengers for the Contracting Carrier, under the name of the Contracting Carrier.

"Cost Center" means an accounting center used to collect Revenues and expenses (including O&M Expenses and debt service), as more particularly described on **Exhibit E**.

"Coverage Ratio" or **"Debt Service Coverage Ratio"** means the multiple derived by dividing the annual debt service requirements under Ordinance No. 155, by available annual Net Revenues.

"Debt Service Coverage" means the coverage component of the rate covenant requirement of Ordinance No. 155, as amended, and as may be amended from time to time, currently equal to thirty percent (30%) of the sum of Direct and Indirect Debt Service attributable to Airport revenue bonds issued to acquire Capital Improvements at the Airport for a particular Cost Center, or such other similar amounts that may be required for any debt financing.

"Deplaned Passengers" means disembarking revenue passengers at the Terminal, who are: (a) terminating their air travel; (b) transferring between airplanes of the same Air Carrier; or (c) transferring between airplanes of different Air Carriers.

"Design Review Process" means the Airport's process for ensuring that tenant developments, alterations or modifications comply with the Airport's Terminal Design Standards, which preserve the design quality that has been established in the Airport, and are kept on file in the Airport administrative offices.

"Direct Cost Centers" means those Cost Centers allocated completely to either the Signatory Airlines or the Port, as more particularly described on **Exhibit E**. Direct Cost Centers allocated to the Signatory Airlines are the Airfield Cost Center and the Terminal Cost Center. Direct Cost Centers allocated to the Port Cost Center are the Ground Transportation Cost Center, the Air Cargo Cost Center, the Other Aviation Cost Center, and the Non-Aviation Cost Center.

"Direct Debt Service" means the principal and interest payments on debt attributable to a Direct Cost Center.

"Direct O&M Expenses" means O&M Expenses which are attributable to each Direct Cost Center.

"Director of Aviation" means the person in charge of overall Airport management for the Port.

"Effective Date" means the date shown on the first page of this Agreement, and the date upon which this Agreement becomes legally binding upon the Airline signing this Agreement.

"Enplaned Passengers" means embarking revenue passengers at the Terminal who are: (a) originating their air travel; (b) transferring between airplanes of the same Air Carrier; or (c) transferring between airplanes of different Air Carriers.

"Environmental Laws" means any and all federal, state of Oregon and local laws, regulations, rules, permit terms, administrative orders issued pursuant to federal and state laws, Best Management Practices, codes and ordinances now or hereafter in effect, as the same may be amended from time to time, which govern Hazardous Substances, regulated wastes, emissions, pollutants, animals or plants, noise, or products and relate to the protection of health, natural resources, safety or the environment.

"Environmental Management System" means part of an organization's management system used to develop and implement its environmental policy and manage its activities or products or services that can interact with the environment.

"Exclusive Space" means Terminal space leased to a Signatory Airline for its exclusive use; and, with respect to the Airline, as shown on **Exhibits B and C**.

"Executive Director" means the chief executive officer of the Port or his or her delegates including without limitation, the Director of Aviation.

"Expiration Date" means June 30, 2015, the date on which the Signatory Agreement expires.

"Federal Aviation Administration" or **"FAA"** means the federal agency within the U.S. Department of Transportation that is responsible for the safety and efficiency of aviation operations.

"Fiscal Year" means the annual accounting period of the Port for its general accounting purposes, which is currently the period of twelve (12) consecutive calendar months commencing July 1 and ending June 30.

"Gate Position" means passenger gate(s), including Aircraft Apron, holdroom, aircraft loading bridge (if any), and appurtenant furnishings in and about the Terminal that are reasonably necessary for the use thereof.

"Ground Run-up Enclosure" or **"GRE"** means that facility identified on the Airfield as the place where all aircraft engine run-ups must be conducted, unless specifically exempted by the Port.

"Hazardous Substances" means any and all substances defined or designated as hazardous, toxic, radioactive, dangerous or regulated wastes or materials, or any other similar term in or under any applicable Environmental Law. Hazardous Substance shall also include, but not be limited to, fuels, petroleum and petroleum-derived products, and deicing and anti-icing materials.

"Hazardous Substance Release" means the spilling, discharge, deposit, injection, dumping, emitting, releasing, leaking, migrating, leaching, placing, or seeping of any Hazardous Substances into the environment, including air, land, sediment, water, groundwater, and storm water, in

violation of any applicable Environmental Law, except as specifically authorized by a valid permit issued under applicable Environmental Laws.

"International Arrival Facility" or "IAF" means the U.S. Customs and Border Protection clearing facility through which international passengers must pass.

"IAF Fees" means the Revenues received from Air Carriers for use of the IAF and associated services provided in conjunction with IAF use.

"IAF Rate" means the rate charged to an Air Carrier for IAF use.

"Indirect Cost Centers" means those Cost Centers shared by the Signatory Airlines and the Port, and include Maintenance, Aviation Security and Public Safety, Airport Rescue and Fire Fighting, Operations, Systems and Services, Administration, and Environmental, as more particularly described and defined on **Exhibit E**.

"Indirect Debt Service" means the principal and interest payments on debt attributable to the particular Indirect Cost Center.

"Indirect O&M Expenses" means O&M Expenses which are attributable to Indirect Cost Centers.

"Interest Rate Swaps" means a contractual agreement wherein two (2) parties agree to exchange ("**Swap**") certain cash flows for a defined period of time and is an approved financing device that the Port is authorized by this Agreement to utilize, in its discretion, in order to manage Airport debt.

"Landing Area" means those portions of the Airport provided for the landing, take-off and taxiing of aircraft, including without limitation, approach and turning zones, aviation or other easements, runways, taxiways, runway and taxiway lights, and other appurtenances in connection therewith.

"Landing Fees" means those fees charged for landing an aircraft, as more particularly described in Section 18.2.

"Legal Holiday" means any holiday observed by the Federal Government.

"Majority In Interest" or "MII" means the mechanism used by the Airlines to disapprove a Capital Expenditure or approve an amendment to this Agreement, as the case may be.

"Maximum Gross Landed Weight" means the maximum gross certificated landing weight in one thousand (1,000) pound units for which each aircraft operated by Airline is certified by the FAA, or any successor agency thereto.

"Month-to-Month Space" means those areas of the Terminal that the Port makes available for rent on a short term basis, in accordance with the terms and conditions of this Agreement.

"Net Requirement" means the annual sum of all expenses and fees, including Debt Service Coverage allocated to a particular Cost Center, minus all Offsetting Revenues.

"Net Revenues" means that amount so defined in Section 2(r) of Ordinance No. 155, as amended, and as may be amended from time to time.

"Non-Airline Revenues" means other revenues associated with the Airfield and Terminal Cost Centers, which are not paid by Signatory Airlines (e.g., revenue from aircraft parking other than

Terminal Apron Fees, military use fees, all Terminal concessions, and Terminal Rents from non-airline tenants).

"Non-Preferential Ground Load Holdroom" means any ground load holdroom not assigned by the Port as Preferential Space, and which the Port reserves for the flexible use by any Air Carrier serving the Airport. As of the Commencement Date, the Port has designated those locations set forth on **Exhibit H** as Non-Preferential Ground Load Holdrooms. The Port may, without adversely impacting existing ground load operations, change these locations from time to time during the Term of the Agreement, if other Non-Preferential Ground Load Holdrooms aren't available.

"Non-Revenue Landings" means any aircraft landing by Airline at Airport for which Airline receives no revenue, and shall include (a) ferry, test, training, courtesy, inspection or other similar flights; (b) any landing of an aircraft which, after having taken off from the Airport and without making a landing at any other airport, returns to land at Airport because of meteorological conditions, mechanical or operating causes, or any other reason of emergency or precaution; or (c) any landing entirely associated with a government operation.

"Non-Signatory Airline" means any Passenger Carrier or Cargo Carrier that has not signed this Agreement or a *Signatory Cargo Carrier Operating Agreement*. Non-Signatory Airlines do not have all of the same rights and privileges afforded to a Signatory Airline and are charged materially higher rates and fees.

"Offsetting Revenues" means: (a) with respect to the Airfield Cost Center, including, but not limited to, all Revenues other than the Landing Fees of Signatory Airlines; and (b) with respect to the Terminal Cost Center, including, but not limited to, all Revenues other than the Signatory Airline Terminal Rents.

"Operating and Maintenance Expenses" or **"O&M Expenses"** means those expenses designated as "Costs of Operation and Maintenance" in Section 13 of Ordinance No. 155.

"Ordinance" means collectively Ordinance No. 155 and Ordinance No. 323, as amended, modified and/or restated, as provided below, and any successor or replacement of such ordinance(s).

"Ordinance No. 155" means the Ordinance enacted by the Port of Portland on November 10, 1971, as amended and restated pursuant to Port Ordinance No. 368B, enacted October 13, 1993; Port Ordinance No. 375B, enacted August 10, 1994; and Port Ordinance No. 393B, enacted February 10, 1999, as it may be further amended, modified, or supplemented from time to time.

"Ordinance No. 323" means the Ordinance enacted by the Port of Portland on October 9, 1985, as amended, modified, and supplemented by Port Ordinance No. 337A, enacted October 14, 1987; Port Ordinance No. 323A, enacted August 10, 1988; Port Ordinance No. 368B, enacted October 13, 1993; and Port Ordinance No. 375B, enacted August 10, 1994, as it may be further amended, modified, or supplemented from time to time.

"Passenger Carrier" means an Air Carrier in the business of transporting persons and property by air.

"Passenger Facility Charges" or **"PFCs"** means the fee charged to passengers by the Airline, on behalf of the Port, in accordance with Federal Law 49 U.S.C. § 40117, and applicable

implementing regulations adopted by FAA 14 CFR Part 158, as they may be amended from time to time.

"**PDX Rules**" means the *Portland International Airport Rules* that are enacted by the Director of Aviation, pertaining to the use of the Airport, as they may be amended from time to time, by which all Air Carriers, Concessionaires, and others utilizing the Airport must abide. The PDX Rules can be found at the following link: http://www.portofportland.com/PDFPOP/PDX_Rules_Regulations.pdf.

"**Personal Property**" means trade fixtures, signs, cabling, conduit and other property not permanently affixed to the Premises.

"**Port Cost Center**" or "**Port Supported Area**" means the Cost Center to which Revenues and expenses associated with the Ground Transportation Cost Center, the Air Cargo Cost Center, the Other Aviation Cost Center, and the Non-Aviation Cost Center, all as described and defined on **Exhibit E**, are allocated. The Port Cost Center shall include a portion of the Indirect Cost Centers, as specified on **Exhibit E**.

"**Port of Portland**" or "**Port**" means a port district of the State of Oregon that owns and operates the Airport pursuant to ORS 778.005 through ORS 778.990.

"**Preferential Space**" means the portion of the Airport leased to the Airline, as shown on **Exhibits B** and **C**, attached hereto, and to which Airline shall have a higher and continuous priority of use over all other Air Carriers and Concessionaires. Said space may also include aircraft loading bridges and/or other aircraft support equipment.

"**Premises**" means Airline's leased Exclusive Space, Preferential Space, Shared Space, Month-to-Month Space, and Kiosks as shown on **Exhibit B**.

"**Private Passenger Lounge**" means any restricted access passenger waiting room, lounge or other area leased to the Airline as Exclusive Space to provide special services or handling for its preferred passengers, guests or invitees.

"**Public Area**" means those areas used by the public within the Airport Terminal and concourse areas, including: (a) all concourse corridors and connectors; (b) concession areas; (c) ticket lobby; and (d) non-rentable areas.

"**Rent**" shall include all Terminal Rents, Landing Fees, other rents, charges, fees, fines, costs, reimbursements, penalties, taxes, late charges, liquidated damages, and interest of all types and of all nature that Airline is required to pay to the Port under this Agreement.

"**Revenue Landed Weight**" means the sum of the products of the Maximum Gross Landed Weight of each type of Airline's aircraft, by the number of Revenue Landings of each said aircraft at the Airport.

"**Revenue Landings**" means an aircraft landing at the Airport in conjunction with a flight which is published in the "Official Airline Guide," or for which an Air Carrier makes a charge, or for which revenue is derived, for the transportation by air of persons, property or mail. Revenue Landings shall not include Non-Revenue Landings.

"**Revenues**" has the meaning given to that term in Section 2(w) of Ordinance No. 155, as amended, and as may be amended from time to time.

"Revenue Sharing" means that program by which the Port has agreed to share a certain amount of Port Cost Center Revenues with the Signatory Airlines, subject to meeting certain minimum Net Revenue requirements, in exchange for the Signatory Airlines approval of the terms of the Signatory Agreement.

"Risk Mitigation Program" means a program utilized to attract certain targeted new air service to the Airport.

"Scheduled Service" means any flight of an Air Carrier scheduled in the Official Airline Guide for the Airport.

"Security Deposit" means a cash deposit or letter of credit paid by an Air Carrier to the Port to secure the performance of the *Signatory Passenger Airline Lease and Operating Agreement*, and the *Signatory Cargo Carrier Operating Agreement*.

"Security Screening Areas" means those areas of the Terminal used for the screening of passengers and baggage before allowing passengers to enter onto the secured concourses, or allowing baggage to be loaded onto an aircraft.

"Self Service Kiosks" or **"Kiosks"** means machines that assist passengers with service which include without limitation, check-in, rebooking, pre-boarding purchase of goods or services to be consumed in-flight, and baggage location information, but which excludes all other sales.

"Shared Space" means those leased areas of the Terminal whose usage is shared by more than one (1) Air Carrier, excluding Baggage Claim Areas and Non-Preferential Ground Load Holdrooms and associated Aircraft Aprons. As of the Commencement Date, Shared Space includes some Baggage Make-up Areas, corridors and ticket offices.

"Signatory Airline" means an Air Carrier which has signed a *Signatory Passenger Airline Lease and Operating Agreement* or a *Signatory Cargo Carrier Operating Agreement* with the Port which creates certain rights and obligations in the parties pertaining to the use of the Airport.

"Signatory Cargo Airline" means a Signatory Airline which is in the business of air transportation of property, but not passengers.

"Signatory Cargo Carrier Operating Agreement" means the operating agreement between the Port and Signatory Cargo Airlines.

"Signatory Passenger Airline" means a Signatory Airline which is in the business of air transportation of passengers and property.

"Signatory Passenger Airline Lease and Operating Agreement" or **"Signatory Agreement"** means the lease and operating agreement between the Port and Signatory Airlines that carry passengers and lease space at the Airport. This Agreement is a Passenger Airline Lease and Operating Agreement. This particular *Signatory Passenger Airline Lease and Operating Agreement* is referred to herein as this "Agreement."

"Sterile Area" means an area, including the Airport concourses, that provides passengers access to boarding aircraft and to which the access is controlled by the TSA through the screening of persons and property, at a Security Screening Area.

"Tenant Construction Permit Process" means that portion of the Design Review Process which reviews and comments on tenant construction documents and which issues a written construction permit before commencement of construction by the tenant.

"Terminal" means: (a) the passenger Terminal building and concourse areas (including the areas below the concourses); (b) the enplaning, deplaning, and commercial access roadways immediately adjacent to the Terminal (and sidewalks associated therewith); (c) the Public Area; (d) the Aircraft Apron; and (e) the Security Screening Areas, all as generally shown on **Exhibit A**.

"Terminal Cost Center" means the Cost Center to which Revenues and expenses associated with the Terminal, including the Aircraft Apron, are allocated. The "Terminal Cost Center" shall include a portion of Indirect Cost Centers, as defined in **Exhibit E**. With respect to access roadways which are a part of the Terminal Cost Center: (a) the Terminal Cost Center shall pay one hundred percent (100%) of the capital costs of said roadways; (b) the Port Cost Center shall pay one hundred percent (100%) of the O&M Expenses; and, (c) the Port Cost Center shall receive one hundred percent (100%) of the concession revenues.

"Terminal Rents" means all Rents charged by the Port for Airline's use of the Terminal.

"Transportation Security Administration" or **"TSA"** means the United States Transportation Security Administration with jurisdiction over Airport security.

"Uncured Event of Default" means those Events of Default that are not timely remedied as more specifically described in Section 31.2.

"United States Customs and Border Protection" or **"CBP"** means that federal agency within the U.S. Department of Homeland Security that has jurisdiction over immigration and the IAF at the Airport.

"Wireless Communication Services" means the use of regulated or unregulated wireless signals between multiple electric devices or objects. This includes, but is not limited to, the wireless technologies used by Wireless Fidelity (WiFi), WiMax, Zigbee, cellular phone service for data or voice communications, 800MHz radio systems, and Radio Frequency Identification Devices or objects.

Additional words and phrases used in this Agreement, but not defined above, or elsewhere in this Agreement, or in the Ordinances referenced above, shall have their usual and customary meaning.

2. TERM

2.1 Agreement Term

The Signatory Agreement shall commence as of July 1, 2010 ("Commencement Date") for a period of five (5) years unless earlier terminated pursuant to its terms ("Term"). This Agreement shall be binding upon the parties as of the Effective Date and shall continue unless earlier terminated under the provisions of this Agreement, until June 30, 2015 ("Expiration Date"). There is no option to extend.

2.2 No Early Termination of Agreement or Return of Leased Space

There will be no right to terminate this Agreement early, except by the Port due to an Event of Default (as defined in Section 31), or as required by law. Airline will not be allowed to return any

Exclusive Space, Preferential Space, or Shared Space that the Airline leases under this Agreement except as otherwise provided in Section 2.3. The Port shall have the right to relocate the Airline to comparable Exclusive Space, Preferential Space, or Shared Space when required for efficient Airport operations in accordance with the provisions of Section 12.3 and Section 34.

2.3 One Time Space Reduction

Airline shall have a one-time right to reduce its Exclusive Space, Preferential Space, or Shared Space by an amount not to exceed twenty-five percent (25%) of the aggregate square footage of its leased Premises by providing the Port with written notice of its intent to do so not later than January 1, 2013. The reduction in leased Premises excluding Month-to-Month Space and Rent will be memorialized in an amendment to this Agreement that will become effective on the later of July 1, 2013 or on the date the Airline has executed the amendment. The Airline will return space relinquished pursuant to this Section in accordance with the terms of this Agreement. The Port, in its sole discretion, may elect to reject space changes that result in uneconomic remnants of space.

3. COMPLIANCE WITH LAW

3.1 General Laws

At all times, Airline shall, with respect to its operations at the Airport, comply with all applicable federal, state and local laws, rules, regulations and ordinances, including PDX Rules, Port Ground Run-Up Facility Guidelines, Port ordinances, and the Airport Certification Manual, as they may be amended from time to time, administrative orders, and environmental permits, including, but not limited to, deicing permits, and including without implied limitation, those relating to: (a) health and safety; (b) fire codes; (c) the environment; and (d) disabled access, including the Americans with Disabilities Act, 42 USC 12101 et seq.

3.2 PDX Rules

The use by the Airline of the Premises, Terminal, the Public Areas, the Airfield, and all other areas of the Airport shall be subject to compliance with the PDX Rules as they may be amended or newly adopted by the Port, provided that the PDX Rules do not conflict with applicable provisions of state or federal law or the express provisions of the Signatory Agreement. Except in the case of emergency, the Port shall give the Airline's corporate property representative and any person designated by the Airline to receive notice, written notice and opportunity to comment on any amendments or additions to the PDX Rules that would impact the Airline's operations at the Airport before such proposed PDX Rules are adopted by the Port. Within twenty (20) Business Days after receipt of the Port's notice of such proposed changes or additions to the PDX Rules, each designated representative may submit to the Director of Aviation, in writing, objections or comments to the proposed changes or additions to the PDX Rules on behalf of the Airline. If there are no objections to the proposed Rules, they will be implemented following expiration of twenty (20) Business Days. The Director of Aviation shall consider any comments and objections received and will, within forty (40) Business Days following the Port's initial notice of proposed changes, notify the Airline of his or her determination regarding implementation of the proposed changes or additions to the PDX Rules. If the Airline disagrees with the determination, the Airline may, within ten (10) Business Days of receipt of the written decision of the Director of Aviation's determination, by mail, fax, or acknowledged e-mail, appeal the determination to the Executive Director, whose decision shall be final. No further appeal shall be available to the Airline.

4. USE OF AIRPORT FACILITIES

4.1 Airline General Use Rights and Privileges

In addition to all specific rights granted elsewhere in this Agreement, Airline shall have the general rights to use areas of the Airport, as designated in this Agreement, for the following purposes:

(a) the operation of its air transportation system, including, but not limited to, the sale of air transportation tickets and services and the carriage of persons and property, including all activities necessary or incidental to such operations;

(b) the landing, taking off, flying over, taxiing, and towing of aircraft of the Airline; and, in accordance with the provisions of this Agreement, including, but not limited to, Sections 6, 8 and 9, the conditioning, servicing, parking, storage or maintenance of the Airline's aircraft;

(c) the sale, disposition or exchange of the Airline's aircraft, engines, parts and other equipment, or supplies, and the sale of lubricants or deicing fluid, but only to: (i) a wholly owned subsidiary company or parent company; (ii) for use in aircraft of others which are being used solely in the operations of the Airline; or (iii) another Air Carrier at the Airport during emergencies or snow events;

(d) the purchasing at the Airport of fuels, lubricants, and any other goods or services, but only from a person or company operating on the Airport with a current and valid permit or operating agreement with the Port to conduct such sales or delivery of said goods or services at the Airport;

(e) the use of the Public Area by the Airline, in common with the Port, other lessees, licensees and the general public;

(f) the loading and unloading by the Airline of persons and property by motor vehicles or other means of conveyance, as the Airline may desire or require in the operation of its air transportation system, at locations generally designated in **Exhibit B**, and at other locations designated by the Port;

(g) in accordance with Section 10.4, the installation and maintenance (at the Airline's sole cost and expense) of Airline-installed or requested signs, approved in writing, in advance by the Port;

(h) the installation, maintenance, and operation of such communication, computer, meteorological and aerial navigation equipment, as may be necessary or convenient in the Airline's discretion, for operation of its air transportation system within or serving the Airline's Premises and excluding Common Use or Shared Space facilities, to be located and installed in accordance with Section 10, and provided such equipment shall not interfere with Airport navigational aids, Port communication systems, or with similar rights granted to other tenants or governmental agencies. In the event of such interference, the Port may require removal, relocation, or modification, at the sole cost of the Airline, to eliminate such interference; provided, however, that the Port will provide the Airline with a reasonable amount of time to accomplish such removal;

(i) such rights-of-way as may reasonably be required for any Airline-owned communication, computer and power or other transmission lines in and between the Terminal and Airline's Premises and to other areas of the Airport only in locations designated in advance and in writing, by the Port which locations specifically exclude Common Use facilities;

(j) the installation of Personal Property, including furniture, furnishings, supplies, machinery, and equipment, in accordance with the requirements of Section 10.2, in the Airline's Exclusive Space, Preferential Space, and Shared Space, as the Airline may deem necessary or prudent for the operation of the Airline's air transportation system;

(k) the construction of modifications, finishes and improvements in the Airline's Exclusive Space, Preferential Space, and Shared Space in accordance with the requirements of Section 10, as the Airline may deem necessary or prudent for the proper operation of its air transportation system;

(l) the use by Airline, and others authorized by the Port, of the public address system which the Port shall provide, or cause to be provided, in the Terminal for the purposes set forth in, and in accordance with, the PDX Rules;

(m) the installation of Kiosks in the Airline's Exclusive Space and Preferential Space; and snack vending machines for its employees in its Exclusive Space; and

(n) pursuant to Section 4.4 and Section 4.5, and subject to entry into a separate agreement with the Port with a contractual assurance of non-interference with the Port's existing WiFi, and with future installation of WiFi, WiMax or other Wireless Communication Services at the Airport.

4.2 Right of Ingress and Egress

In order to exercise the rights and privileges granted to the Airline by this Agreement, and subject to the Port's reasonable PDX Rules and the Airport Security Program ("ASP"), the Airline shall have ingress and egress rights over the roads and walkways of the Airport to and from the Premises.

4.3 Restrictions Upon Airline General Use Rights and Privileges

The rights of the Airline under this Agreement are subject to any specific rights, obligations and restrictions which are granted or reserved elsewhere in this Agreement, including, but not limited to, Section 3. The rights granted to the Airline by this Agreement shall not be exercised in such a way as to interfere with, or adversely affect the use, operation, maintenance or development of the Airport. The Port grants to the Airline no rights or privileges other than those specified in this Agreement or in the PDX Rules.

4.4 Installation of Wireless Communication Devices

Except as restricted elsewhere in this Agreement and subject to applicable provisions of the Federal Communications Act and implementing regulations of the Federal Communications Commission, the Port shall have the sole right to determine the specifications for acceptable Wireless Communication Services to be used or installed at the Airport. This includes, but is not limited to, the location, configuration, and installation of wireless voice and data equipment, Zigbee, WiFi, WiMax or other equipment that communicates through regulated or unregulated wireless signals at the Airport. It is not the Port's intent to restrict or prohibit Airline's ability to deliver wireless services onboard Airline's aircraft. However, the Airline shall not install any wireless communication equipment on the Airport without the prior written authorization of the Port, which consent will not be unreasonably withheld, in order to avoid interference or security issues related to the installation and operation of such devices at the Airport. Subject to applicable provisions of the Federal Communications Act and implementing regulations of the Federal Communications Commission, the Airline may be required to immediately remove or reconfigure any wireless

communication equipment or services that interferes, in the sole discretion of the Port, with the Port's wireless coverage or that of other tenants' equipment that has been approved by the Port for operation at the Airport. The Port may expand its wireless communication infrastructure to make it available to Airlines for their operations at the Airport. When available, the Airline will not be required to use the Port's wireless communication infrastructure, but is encouraged to utilize the system to meet their operational needs at the Airport. The Port will accept Airline's use of the Port's wireless communication infrastructure in its sole discretion upon Port confirmation that Airline's proposed use meets service level, security and operational requirements.

4.5 Installation of Communications Equipment; Use of Port Network Room

The Port has installed a system of communication pathways, telecommunication facilities, communication cables and fiber optics, otherwise known as the communication infrastructure which is owned and operated by the Port. Except as restricted elsewhere in this Agreement and subject to applicable provisions of the Federal Communications Act and implementing regulations of the Federal Communications Commission, the Airlines may utilize the Port-installed system. Airline shall not install any communication equipment without the prior written authorization of the Port in order to avoid interference or security issues related to the installation and operation of such devices at the Terminal. Installed equipment and devices must adhere to the specifications provided by the Port during the Design Review Process. The Port reserves the right to approve the technical specifications, location, configuration, and installation of Airline's communication equipment. Subject to applicable provisions of the Federal Communications Act and implementing regulations of the Federal Communications Commission, the Airline may be required to immediately remove or reconfigure any communication equipment or services that interfere, in the sole discretion of the Port, with the Port's communication infrastructure to eliminate interference. The Airline will not be required to use the Port's communication infrastructure, but is encouraged to utilize the system to meet their operational needs at the Airport. The Port will accept Airline's use of the Port's wireless communication infrastructure, in its sole discretion, upon Port confirmation that this use meets service level, security and operational requirements.

4.6 Port's Right to Install Vending Machines

The Port may install vending machines or other types of revenue generating equipment in the Airline's Preferential Space gate areas, provided that such installation and operation does not adversely impact the Airline's operations authorized in this Agreement. The Port and the Airline shall agree, in writing, where to locate said vending machines or other revenue generating equipment in said space. The Port agrees to reduce the square footage of the Airline's Premises proportionately to the amount of space occupied by Port-installed vending machines.

4.7 Port's Right to Install Seating

In the event the Port determines, in its sole discretion, that there is insufficient seating available in Airline's holdroom seating area to accommodate passengers or that the condition of seating does not meet Port standards of customer service and comfort, the Port will request that the Airline remedy the seating deficiency within thirty (30) calendar days of Airline's receipt of this notice. In the event Airline fails to meet these requirements, the Port may procure and install seating. The Port will invoice and Airline will reimburse the Port for the reasonable expense of the seating purchased by the Port. Upon Port receipt of the reimbursement funds, such seating shall become the property of Airline.

4.8 Rights Limited to Air Transportation Activities

In the exercise of its rights and privileges under this Agreement, the Airline shall only perform such functions as are required for the operation of its air transportation system, including those rights set out in Section 4. The Airline shall not have the right to conduct any other business on the Airport without first entering into a separate agreement with the Port to conduct such business, which agreement may provide for the payment of an additional fee to the Port. The Airline may sell certain goods and services to be delivered on the aircraft from Self Service Kiosks; provided, however, that the Airline shall not sell from Self Service Kiosks goods and services for consumption or receipt in the Airport. In the event the Airline conducts such sales from kiosks in the holdroom, the Port reserves the right to charge the Airline the same fees, and in the same manner, as it would otherwise charge a Concessionaire. Specifically, the Port will charge twelve percent (12%) of gross sales on food, and fourteen percent (14%) of gross sales on alcoholic beverages.

4.9 Landing Area Weight Limitations

The Port may prohibit the use of the Landing Area by any aircraft operated or controlled by the Airline which exceeds the design strength or capability of the Landing Area, as described in the current Airport Layout Plan, as approved by the FAA, or other engineering evaluations performed subsequent to said Airport Layout Plan.

4.10 Interference with Airport Systems

The Airline shall not do, nor permit to be done, anything that may interfere with the effectiveness or accessibility of the drainage, sewerage, water, communications, or fire protection systems, or any other part of the utility, electrical, wireless, or other systems installed or located, from time to time, at the Airport. If any such interference should occur which causes any loss to the Port, the Airline shall be liable to the Port for any such loss.

4.11 Limitations on Distribution of Food and Beverages at Airport

Except for distribution as part of the boarding process inside of the jet bridge, the Airline shall not provide for the sale or distribution of food and/or beverages at the Airport, or on any Airport property, either to its employees, passengers, or to the public. The Airline may provide for the distribution of food to the Airline's employees free-of-charge and may allow vending machines, pursuant to Section 4.1(m). Fundraising events may not be held on any Airport property without first obtaining written approval from the Port. Upon entering into a separate agreement with the Port, the Airline may engage in the sale of food and/or beverages to passengers and guests in any Private Passenger Lounge at the Airport. Such agreement shall include a fee to be paid to the Port which shall be not less than the current concession fee paid by the food and/or beverage Concessionaire(s), and shall be paid in addition to the Rent for the space occupied by such facility. No fee to the Port will be applicable to the free distribution of beverages and/or food consumed within any Private Passenger Lounge. If the Airline is delayed in excess of two (2) hours and there are no concessions or vendors open for business, the Airline may provide complimentary food and beverage services. However, if such concessions are offered for purchase, the Airline shall pay to the Port the same fee that Airport Concessionaires pay, which is currently twelve percent (12%) for food and nonalcoholic beverage. Notwithstanding the foregoing, the Airline shall not be required to pay a concession fee to the Port on food or beverages, including alcoholic beverages, purchased directly from any of the Airport's Terminal Concessionaires who are already paying the Port a concession fee for those products. The Port requires verification that the concession fee has been

paid to the Port in order for the Airline to avoid payment of the concession fee. Airline must obtain a liquor license and supply a copy of that license to the Port prior to serving alcohol at the Airport.

4.12 Limitations on Ground Transportation Services

The Airline shall not operate, provide, or contract with another person or company to operate or provide any form of ground transportation service for the transportation of persons to, from, or at the Airport, unless said service provider has first obtained a Port Ground Transportation Permit and has entered into an operating agreement with the Port.

4.13 Installation of Advertising

Except in the Airline's Exclusive Space and Preferential Space, the Port shall have the sole right to determine the location of, and to install or cause to be installed, advertising at the Airport, including advertising devices and flight information displays. Except signage designed to assist disabled passengers in receiving flight related information, the Port shall not install, or cause to be installed, any advertisements, advertising devices, or flight information displays in the Airline's Exclusive Space or Preferential Space, unless the Preferential Space does not have reasonably adequate Public Area appurtenant thereto, in which case the Port will work with the Airline to locate said advertisements, advertising devices, or flight information displays in said space. Airline shall not permit any advertising within its leased Premises with the exception of Airline's brand. To the extent allowed under its current advertising contract, the Port agrees to use reasonable efforts to avoid the placement of advertising featuring Airline competitors that provide direct service to the same destination from the Airport in Public Areas within twenty-five (25) feet of the Airline's Exclusive Space or Preferential Space lease boundary.

4.14 Passenger Surveys

The Port, or any firm that the Port has contracted with to perform passenger survey work, shall have the right to enter the Airline's Preferential Space to conduct passenger surveys. The Port, or its representatives, shall not disrupt the passenger enplaning or deplaning processes while conducting any such survey.

4.15 Goods, Services and Subcontracting

Airline shall not enter into any agreement with any Concessionaire, vendor, or other provider(s) of goods and services ("Subcontractor") that does not have a current permit or operating agreement with the Port to deliver such goods and services at the Airport. Notwithstanding the foregoing, nothing contained in this Section, or in Section 4.1(d), shall be construed to disallow any business that provides goods or services to the Airline on only a rare occasion basis, to do so without a permit or operating agreement with the Port, provided said provider abides by all PDX Rules established by the Port. If the Airline elects to contract out any services, such as sky cap, wheelchair service, or other valet services, it shall not do so without entering into a contract with said service provider and without said service provider entering into an operating agreement with the Port before beginning any such services on behalf of the Airline. A Subcontractor may either sublease space from the Airline or directly from the Port, at the Airline's rental rate set forth in Section 19.3, plus twenty-five percent (25%), provided, however, the Subcontractor may hold such lease only: (a) for so long as it provides the subcontracted service to the Airline; (b) the term of such lease may be no longer than the shorter of either the Term of this Agreement, or the term of the subcontract; and (c) the Subcontractor leasehold shall include adequate space to accommodate all subcontracted operations including, without limitation, employee break rooms, storage, and maintenance and

operations facilities. Failure to comply with this Section will result in a fine of TWO HUNDRED FIFTY DOLLARS AND NO CENTS (\$250.00) per occurrence per service provided until cured.

5. TERMINAL AND OPERATIONS SPACE

The Airline must arrange for, at its sole expense, sufficient Terminal space and other facilities for the ticketing of the Airline's passengers, the handling of baggage, and shall arrange for such other space and facilities necessary for Airline's and Subcontractor's operations, without impeding adjacent Airport or Air Carrier operations. Airline agrees to obtain such space in one or more of the following manners: (a) leasing from the Port or through a sublease, a use agreement, or a handling agreement with another Signatory Airline, as provided in Section 33; or (b) leasing from the Port long term or Month-to-Month Space, Exclusive Space, Preferential Space, Shared Space, Common Use Space, or Non-Preferential Ground Load Holdrooms with associated Aircraft Aprons.

6. SERVICING OF AIRCRAFT

Subject to the limitation and requirements of Section 8, the Airline may perform reasonable and customary fueling, servicing, and routine maintenance of its aircraft and those of its Affiliate(s), (excluding engine run-ups), while the aircraft is parked on the Aircraft Apron, provided said activities do not interfere with Airport operations or the movement of passengers, cargo, or other aircraft. If, during such fueling, servicing, or routine maintenance, the Port requires access to the Gate Position due to an emergency or for temporary access by another Air Carrier, the Airline must remove its aircraft from the Gate Position within forty-five (45) minutes of notification by the Port. Failure to remove the aircraft within this timeframe, unless beyond the reasonable control of the Airline, shall be an Event of Default. If, upon notification, the Airline fails or elects not to remove an aircraft, the Port may remove the aircraft pursuant to the provisions of Section 9. All engine run-ups must be performed in the Ground Run-up Enclosure (GRE). In the event the Airline needs to perform Major Alterations or Repairs as defined in 14 CFR Part 43, Appendix A, Airline shall move the impacted aircraft to a Port-designated maintenance area to perform this work.

7. GROUND RUN-UP ENCLOSURE

The Airline hereby acknowledges that certain risks and dangers, inherent or otherwise, may occur during use of the GRE by the Airline and agrees that all of its users of the GRE facility will read and be familiar with the GRE Operating Guidelines, which the Airline acknowledges having received a copy of, before using the GRE. The Airline hereby assumes all risk of liability associated with engine damage caused by use of the GRE, and will hold the Port harmless from any and all liability, actions, damages, judgments, executions, costs, loss of services, expenses, compensation, and any and all claims of damages which it may have against the Port, relating to such engine damage. The Airline hereby fully waives any liability claims by the Airline against the Port and assumes all risk on behalf of the Airline, its successors and assigns, for any and all known and unknown risks of engine damage associated with the use of the GRE.

8. PARKING/STORAGE OF AIRCRAFT; GROUND SUPPORT EQUIPMENT; LIMITATIONS

Parking or storage of aircraft or ground support equipment at a Gate Position or at an Aircraft Apron that in any way interferes with Airport operations, including the movement of passengers, cargo, or other aircraft, is prohibited. The Airline must remove aircraft or ground support equipment within forty-five (45) minutes of notification by the Port if: (a) an emergency exists requiring removal of said aircraft or ground support equipment; (b) said aircraft or ground support equipment is

interfering with Airport operations or the movement of passengers, cargo, or other aircraft; or (c) the Gate Position or Aircraft Apron is required for temporary access by another Air Carrier, provided that the Port has first determined that other suitable Gate Positions or Aircraft Aprons on the same concourse are not available. Airline may park and store ground support equipment owned by the Airline, its Affiliate(s) and/or vendor, or subcontractor which holds a valid operating permit with the Port and with whom the Airline contracts to provide relevant services on leased Preferential Gates and Aircraft Apron, on a non-exclusive basis. Airline acknowledges the need for Air Carriers to have vehicular access to Terminal Premises. These users shall have the non-exclusive right to park vehicles immediately adjacent to their Premises notwithstanding concurrent use of Preferential Aircraft Apron space so long as they do not impact aircraft uses. If Airline or its service provider cannot safely operate and store its equipment within its existing Premises, it shall lease additional space from the Port.

9. REMOVAL OF AIRCRAFT

As soon as allowed by the appropriate authorities, Airline shall remove any disabled aircraft from any parts of the Airport, including, without limitation, runways, taxiways, aprons and the Aircraft Apron, and shall place any such disabled aircraft only in such storage areas as may be designated by the Port, in accordance with the Port's terms and conditions for storage. In the event Airline fails to move any aircraft, as required in Sections 6, 8, or 9, the Port may, but shall not be obligated to, cause the removal of such disabled aircraft after first informing the Airline's station manager of the Port's intent to remove such aircraft. Airline hereby agrees to reimburse the Port for all of the Port's costs of such removal and releases the Port and any Port contractor from any and all claims for damage to the aircraft or otherwise arising from, or in any way connected with, such removal, except for the Port's or the Port's contractor's willful misconduct. Failure to promptly remove the aircraft, unless beyond the reasonable control of the Airline, shall be an Event of Default.

10. ALTERATIONS AND IMPROVEMENTS BY AIRLINE

10.1 Construction or Installation of Improvements

Whenever allowed by this Agreement, the Airline may construct and install, at its sole expense, improvements in Airline Exclusive Space and Preferential Space after obtaining any required Port or city building permits and a Port Tenant Construction Permit. The Airline shall not, however, be considered to be acting as an agent or contractor of the Port for the construction or installation of such improvements. Prior to the commencement of any and all such construction or installation, the Airline shall go through the Port's Design Review Process and Tenant Construction Permit Process and receive the Port's written approval, among other required submittals, to the plans and specifications, location, and construction schedule. Any work associated with such construction or installation shall not interfere with the operations of the Airport. Airline shall deliver to the Port reproducible "as built" drawings of Airline improvements and additions no later than ninety (90) calendar days following the substantial completion of any such improvements and additions. Failure to deliver "as built" drawings within this period of time will be considered a violation of this Agreement and will subject Airline to the declaration of an Event of Default and a TWO HUNDRED FIFTY DOLLARS AND NO CENTS (\$250.00) administrative late fee that the Port may assess with no further notice for each month the "as built" are late. If the Airline is unable to meet this timeframe, it may obtain, by providing the Port with thirty (30) calendar days written notice in advance of the submission deadline, a one-time extension of time and a waiver of the fee. Any improvements contemplated by Section 10 may be disapproved by the Port if the improvement,

or construction thereof, is determined by the Port to unreasonably interfere with other Airport operations. Any construction or installation shall be at the sole risk of the Airline and shall be in accordance with all applicable state and local codes and laws. The Airline shall self-insure or shall require its contractors to obtain and furnish satisfactory evidence to the Port of workers' compensation insurance, commercial general liability, and automobile insurance, if applicable, and physical damage insurance, on a "builder's risk" form with the interest of the Port endorsed thereon, in such amounts and in such manner as the Port may reasonably require. The Port may require additional types and amounts of insurance, as the Port reasonably determines to be necessary to protect the interests of the Port and the Airport.

10.2 Ownership of Improvements

All permanent alterations, improvements, and additions made to the Premises by the Airline shall become the property of the Port immediately upon completion of construction or installation unless otherwise agreed in writing by the parties. Trade fixtures, signs, cabling, conduit and other property not specified above or permanently affixed to the Premises shall remain the property of the Airline, unless otherwise specified in Section 32.

10.3 Liens

The Airline shall keep the Airport and 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 Airport or Premises. Airline agrees to pay, when due, all sums for labor, services, materials, supplies, utilities, furnishings, machinery, or equipment which have been provided to the Premises. Airline shall not suffer or permit any liens to attach to the interest of Airline in all or any part of the Premises by reason of any work, labor, services, or materials done for, or supplied to, or claimed to have been done for or supplied to, Airline or anyone occupying or holding an interest of Airline in all or any part of the improvements on the Premises through or under Airline. If any lien is filed against the Premises, Airline shall cause the lien to be discharged of record within thirty (30) calendar days after the date of filing of the same, by payment, deposit, or bond. In the event that Airline fails to remove or bond off the lien within thirty (30) calendar days, then, in addition to all other remedies set forth in Section 31, the Port shall automatically have the right, but not the obligation, to pay the lien off, after giving notice of its intent to do so to Airline, and Airline shall immediately reimburse the Port for any sums so paid to remove any such lien, together with the Delinquency Charge, described in Section 18.18, due thereon, calculated from the date Port funds were expended thereon. 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 Airport or Premises if not paid. For the avoidance of doubt, it is acknowledged and agreed that Airline shall have the right to contest, in good faith and with reasonable diligence, the validity of any lien or claimed lien, so long as Airline shall give to the Port such security as may be reasonably satisfactory to the Port to assure payment thereof and any interest thereon and to prevent any foreclosure of the lien or sale of the Premises or the Airport by reason of nonpayment thereof; provided further, however, that on final determination of the lien or claim for lien, Airline shall immediately pay any judgment rendered with all proper costs and charges and shall have the lien released and any judgment satisfied.

10.4 Signs

10.4.1 Airline Signage

Before the Airline may install any signage on the Airport that is within the public view, either inside or outside of its Premises, the Airline must fully follow the Port's Design Review Process and receive the Port's written approval of the proposed signage. If the Airline installs any signs without the Port's approval, or if the signs are not maintained in a good and safe condition, the Port may remove such signs and charge the cost of removal, repair and replacement to the Airline. The Port will generally approve temporary signs within the Premises for up to forty-five (45) calendar days installed at the sole cost and expense of the Airline for: (a) promotion of a new flight from the Airport; and (b) announcement of an award honoring the Airline. Such temporary uses must be approved in writing in advance by the Port.

10.4.2 Port Signage

The Port may erect and maintain signage at the Airport as the Port deems appropriate. Except for signage required by the Americans with Disabilities Act or other law, or otherwise necessary for reasons of health, safety, or general information, the Port shall not erect signs in Airline's Exclusive Space or Preferential Space.

10.4.3 Temporary Airline Signage

During the time Airline's Premises are being used by another Air Carrier, pursuant to the provisions of Section 34, the Air Carrier gaining such access may provide identifying signage during the temporary access period, as approved, in writing, by the Port. Any such signage shall not unreasonably interfere with: (a) Airline's use of its Premises; (b) the appearance or use of Airline's own signage; and (c) must also be approved by the Port through the Design Review Process and the Tenant Construction Permit Process.

11. MAINTENANCE AND OPERATION OF AIRPORT

11.1 Port Obligations

The Port will maintain and operate the Airport and all Common Use and Public Areas, facilities and services, in a neat, orderly, sanitary and presentable condition, as provided on the Maintenance Matrix, attached hereto as **Exhibit D**, and will develop and operate the Airport in a prudent manner, consistent with standards, rules, and regulations established by the FAA, TSA, or other federal agencies with jurisdiction over the Airport.

11.2 Airline Obligations

11.2.1 Baggage Consortium

The parties acknowledge airlines are obligated to form a consortium for the operation of the baggage system ("Baggage Consortium") prior to the Effective Date of this Agreement. The Baggage Consortium will enter into an operating agreement with the Port that will describe the terms and conditions of their operation of the baggage system at the Airport prior to the Effective Date. Material terms of this Agreement shall include that: (a) the Baggage Consortium shall establish fees that are fair and acceptable to the Port to meet its obligation to avoid discrimination or barriers to entry for carriers; and (b) the Baggage Consortium shall have the right to charge any airline for its use of the baggage system at the Airport in accordance with the Port-approved fee structure.

11.2.2 General Maintenance Requirements

The Airline will maintain and operate the Premises in a neat, orderly, sanitary, and presentable condition, and provide custodial services in accordance with **Exhibit D**. Should the Port determine that the Airline has failed to maintain the Premises, as required, the Port shall give the Airline seven (7) calendar days written notice of its intent to perform the work. If the Airline has not corrected the problem within that timeframe, or is not in the process of correcting the problem with all due diligence, the Port shall have the right to perform such maintenance and charge the Airline all costs incurred by the Port in performing the maintenance on behalf of the Airline, plus interest at the Delinquency Charge provided in Section 18.18 until the Port is repaid in full.

11.2.3 Waste Disposal, Recycling, including Food Waste

Airline shall, at its own expense, remove all waste, garbage and rubbish from the Premises, to a location designated by the Port in writing, and will not deposit waste, garbage and rubbish on any part of the Airport, except in that designated trash disposal and recycling area. Airline agrees to participate in the Port's recycling program to minimize waste, and agrees to participate in the recycling efforts of the Port, city, state and federal entities to the extent applicable to Airline operations. Airline agrees, with respect to the Airport, to comply with the City of Portland's mandatory recycling requirements, pursuant to City Code Chapter 17.102, as it may be amended from time to time. Airline may maintain an Airline recycling program so long as that program meets the minimum requirements of the PDX Rules and the City of Portland recycling program requirements.

11.2.4 Aircraft Apron

The Airline shall keep the portion of the Aircraft Apron used by Airline, or its Affiliates, free of fuel, oil, other fluids, debris, and non-operational equipment at all times, at its sole cost and expense. If Airline, or its agents, employees, or contractors should, in any manner, discharge fuel, oil, any petroleum products, or any Hazardous Substance upon the Aircraft Apron and Airfield, Airline shall cause the prompt removal of such products, in accordance with the provisions of Section 29.6, and shall hold the Port harmless from any loss or liability resulting therefrom provided, however, nothing in this Section shall be construed to make Airline responsible for a Hazardous Substance Release caused by Port or any other tenant at the Airport. Airline's environmental obligations are set forth in more detail in Section 29.

11.3 Maintenance Responsibilities for Terminal and Apron

Airline's responsibilities for maintenance and cleaning of portions of the Terminal and Aircraft Apron shall be as set forth on **Exhibit D**.

11.4 Maintenance Responsibilities for Leased Equipment

If the Airline leases Port-owned equipment, Airline's responsibilities for maintenance and cleaning of such equipment shall be as set forth on **Exhibit D**.

12. PREMISES AND OTHER SPACE

12.1 Long Term Lease of Premises

The Port does hereby lease and demise to the Airline, and the Airline does hereby lease and accept from the Port for the full Term of this Agreement, the certain Exclusive Space, Preferential

Space, and Shared Space, "as is" and "where is," except as otherwise provided in this Agreement, as follows:

12.1.1 Exclusive Space

The Exclusive Space leased to the Airline is shown on **Exhibits B** and **C**.

12.1.2 Preferential Space

The Preferential Space leased to the Airline is shown on **Exhibits B** and **C**.

12.1.3 Shared Space

The Shared Space leased to the Airline, for use in conjunction with certain other Air Carriers, is shown on **Exhibits B** and **C**.

12.2 Other Space Available for Rent

The following space may be rented for less than the full Term of this Agreement:

12.2.1 Month-to-Month Space

Signatory Passenger Airlines will have the right to lease additional space at locations throughout the Terminal on a month-to-month basis at a rate twenty-five percent (25%) higher than the rates set forth in Section 19.3, subject to the following conditions: (a) the amount of Month-to-Month Space added to the leasehold at any time during the Term of this Agreement will not exceed ten percent (10%) of the Airline's total leased Premises, excluding previously leased Month-to-Month Space; (b) the space will be leased for a minimum of thirty (30) days; and (c) space may be leased on a month-to-month basis for a maximum period of one (1) year (twelve [12] consecutive months).

12.2.2 Short Term Space

Certain Self Service Kiosk space and Common Use Space is available for short term use, as more particularly described in Section 13 and Section 14.

12.2.3 Baggage Make-up Overflow Area

On occasion, a Signatory Passenger Airline may have the need to utilize additional Baggage Make-up Areas during seasonal and peak periods to accommodate increased baggage volume. The Airlines and Port agree that the Baggage Make-up Areas will be utilized efficiently and effectively to accommodate their operations; however, during those times that additional space may be needed, the Signatory Passenger Airlines may overflow to a Baggage Make-up Overflow Area provided the following criteria are met: (a) the Signatory Passenger Airline must first have leased a Baggage Make-up room for its operations or a Signatory Passenger Airline must rent Common Use Ticket Counter; (b) the Signatory Passenger Airline will report usage on a monthly basis to the Port either directly or through a Baggage Consortium; and, (c) priority access to the Baggage Make-Up Overflow Area will be granted to Signatory Passenger Airlines based on the number of bags overflowing onto the Baggage Make-Up Overflow Areas and conveyors. To utilize the Baggage Make-up Overflow Area, a Signatory Passenger Airline will be given priority in the following manner:

1st Priority up to 5% of Airline bags handled on overflow device.

2nd Priority 5-10% of Airline bags handled on overflow device.

- 3rd Priority 10-15% of Airline bags handled on overflow device.
- 4th Priority 15-20% of Airline bags handled on overflow device.
- 5th Priority 20-25% of Airline bags handled on overflow device.
- 6th Priority 25-30% of Airline bags handled on overflow device.
- 7th Priority 30-35% of Airline bags handled on overflow device.
- 8th Priority 35-40% of Airline bags handled on overflow device.
- 9th Priority 40-45% of Airline bags handled on overflow device.
- 10th Priority 45-50% of Airline bags handled on overflow device.

If there is more than one (1) Signatory Passenger Airline that is using the same overflow device that has the same overflow capacity priority, the priority will be given to the Signatory Passenger Airline that has used the device for the longest period of time leading up to the period of peak capacity.

12.2.4 Baggage Claim Area

The Port hereby grants the Airline the right to use, in common with one (1) or more other authorized Air Carriers the Baggage Claim Area as shown on **Exhibit G**.

12.2.5 Non-Preferential Ground Load Holdrooms

The Port hereby grants the Airline the right to rent, on a month-to-month basis, in common with one (1) or more other authorized Air Carriers, the Non-Preferential Ground Load Holdrooms, as shown on **Exhibit H**.

12.2.6 International Arrival Facility

The Port hereby grants the Airline the right to use, in common with one (1) or more other authorized Air Carriers, the International Arrival Facility as shown on **Exhibit I**.

12.3 Changes in Airlines Premises

The Port may, from time to time and without further agreement with Signatory Airlines, allow for de minimis reductions in the Premises, either at Port or Airline request, without violating Section 2.2. If space is added to or deleted from the Airline's Premises, Rent will be proportionately increased or decreased based on the revised square footage. Notwithstanding the foregoing, the Port may, in its sole discretion and in order to facilitate construction of Capital Improvements that impact Airline's Premises, with reasonable advance written notice, require de minimis changes in the Premises without increasing or decreasing Rent. Such changes shall include, without limitation, changes necessary to facilitate completion of a new baggage screening system.

12.4 Port Equipment

All Common Use Equipment, loading bridges and conveyors are owned by the Port. Therefore, the Port, in its sole discretion, may replace any aircraft loading bridge, aircraft support equipment at a Gate Position or conveyor. Prior to removing or replacing a loading bridge, equipment or a conveyor, the Port shall give the Airline as much advance notice as reasonably possible. Said notice shall notify the Airline of approximately when the Port contemplates to replace the equipment. The Port agrees to provide the Airline other reasonable requested information

concerning the removal and/or replacement of the equipment. If the Port intends to replace a loading bridge with a different loading bridge, the replacement loading bridge shall be compatible with the aircraft the Airline is using, or reasonably expects to use, at the Gate Position. The Port shall provide training to appropriate Airline employees as designated by Airline to operate the replacement equipment. It is mandatory for the Airline to participate in this training before using the replacement equipment. Airline shall be responsible for ensuring that its employees, contractors or agents who operate Port equipment are formally trained to use or operate the equipment. Reasonable accommodations will be made to the Airline during the replacement period and shall be at no additional cost to the Airline.

13. SELF SERVICE KIOSKS

Airlines may install Self Service Kiosks within thirty (30) linear feet in front of the Airline's leased ticket counter subject to Port's prior Design Review approval in accordance with this Section. Prior to installation of any Kiosks on the Premises, the Airline must submit to the Port for review and approval detailed installation plans through the Design Review Process and the Tenant Construction Permit Process. All cost of installation, operation, maintenance, repair, replacement and removal of any Kiosk shall be borne by the Airline. The Airline shall not relocate Kiosks without the prior written consent of the Port, which consent shall not be unreasonably withheld. Any new Kiosks installed after July 1, 2010, not within the Airline's Premises or installed more than thirty (30) linear feet in front of Airline's leased ticket counter shall be unbranded Common Use facilities. In the event that the designated space is required for some other use or operational need by the Port, or in the judgment of the Port the Kiosk is impeding passenger flow, the Port may require removal or relocation of a Kiosk not located within the Premises, at the Airline's sole cost, upon giving of thirty (30) calendar days advance written notice. The Airline may elect to remove a Kiosk from an area not included in the Premises and cease paying Rent by giving the Port at least thirty (30) calendar days advance written notice and removing the Kiosk and restoring the space to its original condition. Airline shall coordinate the removal with the Port, through the Design Review Process. Until the Kiosk is removed and the space is restored, the Airline will continue to pay Rent for any space utilized outside of the Premises. Terms of rental for Kiosks installed at the request of Airlines that are not located within the Premises will be memorialized by a letter of confirmation issued by the Port without any other action unless the Airline disputes any term within ten (10) Business Days of receipt of the letter.

14. COMMON USE SPACE

14.1 Common Use Ticket Counters

Common Use Ticket Counter space may be rented in hourly increments. Use of the Common Use Ticket Counters must be scheduled with Port Properties' staff during the month preceding the month that the Airline desires to use any Common Use Ticket Counters. Common Use Ticket Counters are generally assigned on a first come, first serve basis, but the Port may deviate from this practice if it deems it in the best interest of efficient Airport operations.

14.2 Common Use Ticket Offices

Signatory Passenger Airlines who use Common Use Ticket Counters for ticketing all of their scheduled flights may lease one (1) Common Use Ticket Office space on a month-to-month basis. A Common Use Ticket Office may be rented by contacting the Port Properties' staff. Offices are generally assigned on a first come, first served basis.

14.3 Common Use Gates (including International Gates)

Common Use Gates may be rented to accommodate Airline's operational needs. Airline's PDX operational contact (or designee) shall schedule Airline's use of the Common Use Gates with Port Operations staff during the month preceding the month that the Airline desires to use any Common Use Gates. The Port will bill Airline for Common Use Gate utilization based on this schedule. All international gates are considered Common Use Gates. Common Use Gates, excluding international gates, are generally assigned on a first come, first serve basis, but the Port may deviate from this general practice if it deems it in the best interest of efficient Airport operations. All equipment owned by Airline or its ground handler shall be removed from the Common Use Gate following aircraft departure.

14.4 Common Use Kiosks

Common Use Kiosks may be rented annually, in common with one (1) or more other authorized Air Carriers. The rental period ends on June 30 of each year of the Term of the Signatory Agreement.

15. INTERNATIONAL ARRIVALS FACILITY (IAF)

The Port has designated the International Arrivals Facility or IAF as the area within the Terminal to be used by agencies of the United States government for the inspection of passengers and their baggage, and for the exercise of other governmental activities with respect to the movement of persons and property into and out of the United States. Airline may use IAF with one (1) or more Air Carriers.

16. EMPLOYEE PARKING

The Port shall designate employee parking areas to be available to Airline, in common with other Airport tenants, as parking facilities for Airline personnel employed at the Airport. A limited number of parking spaces may be made available for Airline use in the Airport parking garage, and parking shall be made available for Airline employees in the Port's employee parking lot for a fee.

17. RISK MITIGATION PROGRAM

In order to attract non-stop international service and unserved domestic service to Portland, the Port shall have the right to offer alternative fee waiver packages to any Air Carrier meeting the minimum requirements set forth in this Section and in each incentive package (collectively, "Risk Mitigation Program"). In addition, the Port may provide a reasonable level of marketing support to promote the new service subject to the terms of a separate reimbursement agreement between that Air Carrier and the Port. If the Port wishes to offer any enhancements, additions, or extensions to the Risk Mitigation Program described in this Agreement, it shall submit the revised program to the airlines and the revised elements of the Risk Mitigation Program shall be subject to the MII disapproval process, based on both Airfield and Terminal Cost Centers, as set forth in this Section.

17.1 Risk Mitigation Program Eligibility

This Risk Mitigation Program is available to any Air Carrier without discrimination that provides a new scheduled non-stop passenger or cargo service from Portland, Oregon, to a new strategic domestic or international destination. For the purposes of this Risk Mitigation Program, "strategic destination" means those unserved domestic or international markets in the United States, Europe, Asia, Mexico and Canada as identified from time to time by the Port, and as presented to the

Airlines at the first AAAC meeting of each year. The Program may be available for Air Carriers that provide such scheduled passenger service a minimum of three (3) times per week, and for Air Carriers that provide cargo service at least weekly. Each incentive package will be available to all eligible Air Carriers until the Port's new strategic service requirement is met or that package is officially withdrawn by the Port by written notice to all airlines. The Port shall provide the airlines with at least thirty (30) calendar days advance written notice of any such withdrawal.

17.2 Duration of Risk Mitigation Program Offer

Each incentive program will be offered until an eligible Carrier commences service to the strategic destination. The Port will notify the airlines of program availability with respect to a particular strategic destination, and when the program is no longer available with respect to such strategic destination.

17.3 Term of Fee Waivers

No fee waiver will remain in effect for more than one (1) year based on current FAA approval. If the FAA grants additional time, the program may be extended, subject to the Airline MII disapproval process. Should a Carrier receiving fee waivers for eligible service discontinue the new service at any time during the program period, this Risk Mitigation Program will immediately cease to apply to that service.

17.4 Reimbursement for Waived Fees

17.4.1 Except for those programs that provide only Landing Fee waivers paid pursuant to Section 17.4.2, all fees waived during the one (1) year fee waiver period shall be initially charged to the Port Cost Center. At the end of the one (1) year fee waiver period, the Port shall adjust the Net Requirement for the Airfield and Terminal Cost Centers in order to recover, on a monthly basis, to the Port Cost Center one twenty-fourth ($\frac{1}{24}$) of the total fees waived until all waived fees have been recovered, or until the Air Carrier which received the Risk Mitigation Program ceases to provide the new service, whichever comes first.

17.4.2 The Airline Cost Center will absorb the cost of Operational Credit Programs (as defined in Section 17.5). After expiration of a particular Operational Credit Program, the Airline will pay all fees in accordance with the terms of this Agreement. If the eligible service is discontinued before the expiration of the Program, Airline will reimburse the Airline Cost Center for the value of the Operational Credit Program within thirty (30) days following the date on which the service is discontinued.

17.5 Fee Waiver Program Options

The Port may offer a fee waiver program consisting only of Landing Activity Fee (as defined in Section 17.5.1) waivers for new service to unserved domestic markets and for new seasonal international service ("Operational Credit Programs"). For all other new service, the Port may offer a program that may include some or all of the following fee waivers for a period of one (1) year to Carriers for eligible service:

17.5.1 "Landing Activity Fees" (includes Landing Fees, aircraft parking fees and Port gate fees) for the new service, measured one (1) year from the date of the Carrier's first flight of the new air service to Portland, or; for eligible seasonal service, during either one (1) season or a twelve (12) month program period measured one (1) year from the date of the Carrier's first flight of the new service.

17.5.2 Terminal Rents for the new service (may include ticket counter, ticket office, holdroom, Common Use Space, Self Service Kiosk Fees, Private Passenger Lounge, Baggage Make-up Area fees, Baggage Claim Area fees, lower level operations space, baggage service office space, Apron fees, loading bridge fees and Bag Make-up conveyor fees), measured one (1) year from the date of occupancy of the leased space, or on the one (1) year anniversary of the Carrier's first flight of the new non-stop service, whichever occurs first; and

17.5.3 IAF Fees, measured one (1) year from the date of the Carrier's first flight of the new non-stop service.

18. RENTS

18.1 Airline's Financial Responsibility

This Agreement is residual to the extent the Signatory Airlines are obligated to: (a) discharge all claims, obligations and indebtedness payable from the Airport Revenues; and (b) produce Net Revenues in each Fiscal Year sufficient to comply with the minimum rate covenant of Ordinance No. 155 and Ordinance No. 323, and for any additional bonds applicable to the Airfield Cost Center and Terminal Cost Center. Rent as noted below is subject to adjustment as provided in Section 20 in order to meet the requirements of this Section.

18.2 Landing Fees

18.2.1 Amount of Landing Fees

Landing Fees shall equal the product of the then current Landing Fees rate by the Revenue Landed Weight. The current Landing Fees rate shall be calculated as follows: The Airfield Net Requirement shall be allocated between Signatory and Non-Signatory Airlines based on landed weight, with the Non-Signatory landed weight being increased by twenty-five percent (25%). The allocated Signatory Net Requirement shall be reduced by Revenue Sharing allocated to the Airfield. The Signatory Landing Fee rate shall be the reduced allocated Signatory Net Requirement divided by Signatory landed weight. Signatory Landing Fees are subject to adjustment as provided in Section 20.3. The Non-Signatory Landing Fee rate shall be the allocated Non-Signatory Net Requirement divided by Non-Signatory landed weight.

18.2.2 Reporting of Landing Fees

The Airline shall report payment for Landing Fees on the form described in Section 18.21 and shall include a report of monthly Revenue Landed Weight which supports the calculation of the Landing Fees. The Port, however, reserves the right to use other reasonable and accurate systems or procedures to determine usage to generate invoices for Airline Landing Fees. If the Port invoices the Airline based on an alternative source, the Airline shall have the right to review and provide additional information to the Port justifying the Airline's position.

18.3 Aircraft Parking Fees

The Port shall set rates for aircraft parking and may adjust those rates from time to time. Air Carriers who elect to park aircraft will self-report all usage on their monthly landing and gate use report. The Port, however, reserves the right to use other reasonable and accurate systems or procedures to determine usage and to bill the Airline for their use of aircraft parking areas. If the Port invoices the Airline based on an alternative information source, the Airline shall have the right to review and provide additional information to the Port justifying the Airline's position.

18.4 Aircraft Apron

18.4.1 Aircraft Apron Fees

For Aircraft Aprons associated with holdroom(s) classified as Preferential Space, the Airline shall pay to the Port as follows, adjusted pursuant to Section 18.4.2:

(a) for each wide-body Aircraft Apron, TWENTY EIGHT THOUSAND SIX HUNDRED TWENTY DOLLARS AND NO CENTS (\$28,620.00) per year.

(b) for each narrow-body Aircraft Apron, NINETEEN THOUSAND EIGHTY DOLLARS AND NO CENTS (\$19,080.00) per year.

(c) for ground-load Aircraft Aprons capable of simultaneous use by more than one (1) aircraft, SEVEN THOUSAND SIX HUNDRED THIRTY-TWO DOLLARS AND NO CENTS (\$7,632.00), multiplied by the number of parking positions, per year.

(d) for Aircraft Aprons capable of simultaneous use by more than one (1) aircraft and which are associated with a Non-Preferential Ground Load Holdroom, SEVEN THOUSAND SIX HUNDRED THIRTY-TWO DOLLARS AND NO CENTS (\$7,632.00), multiplied by the number of parking positions, per year. The Airline's portion for said Aircraft Apron(s) shall be prorated, based upon the Airline's percentage of the total Enplaned Passengers among all the Air Carriers using said Aircraft Apron(s). For the purpose of the calculations of this Section, the provisions of Section 18.23 shall apply.

(e) for any other Aircraft Apron, the Airline shall pay an amount agreed upon by the Port and the Airline.

18.4.2 Adjustments to Aircraft Apron Rates

The Aircraft Apron Fees described in Section 18.4.1, excepting those in Section 18.4.1(e), shall be increased by the Consumer Price Index each Fiscal Year, commencing July 1, 2011. The Consumer Price Index Rate shall be an amount calculated by increasing the then current Agreement rates by a percentage equal to the Port's calculation of the percentage change over the preceding twelve (12) month period of the *Consumer Price Index - U.S. City Average for all Items for All Urban Consumers (1982- 84=100)* published in the *Monthly Labor Review* by the Bureau of Labor Statistics of the United States Department of Labor ("CPI-U") using the CPI-U published sixty (60) calendar days prior to July 1, of each Fiscal Year during the Term of this Agreement as the ending date of the twelve (12) month period. In the event that the CPI-U for the relevant period decreases, the rate will remain the same as that of the prior twelve (12) month period.

18.5 Rent for Exclusive Space, Preferential Space, Shared Space, and Month-to-Month Space

Monthly Rent for Exclusive Space, Preferential Space, Shared Space and Month-to-Month Space is shown on **Exhibit C**, and is subject to adjustment as provided in Section 20.3.

18.6 Baggage Make-up Overflow Area

Airline shall pay a fee for the use of the Baggage Make-up Overflow Areas as described in Section 12.2.3. The Port will invoice the Baggage Consortium for these fees. The fee shall be a rate per bag multiplied by the number of out-bound bags sent to the Baggage Make-up Overflow Area for Airline. The rate per bag shall be equal to the cost of all Baggage Make-up Areas before any

reduction for Revenue Sharing, divided by the number of out-bound bags processed by the baggage sorting system.

18.7 Baggage Claim Area

18.7.1 Baggage Claim Area Rent Allocation

The Port shall invoice the Airline monthly for the Airline's share of Rent for the Baggage Claim Area, as determined in Section 18.7. Rent for the Baggage Claim Area shall be the Net Requirement allocated per Section 19.6.1(b), reduced by fifty percent (50%) of Revenue Sharing allocated to the Terminal. Rent for the Baggage Claim Area is calculated and paid, as follows: (a) ten percent (10%) of the total amount calculated for the Baggage Claim Area shall be divided equally among all Air Carriers, except those qualifying as exempt under Section 18.7.3. The Air Carriers shall be obligated for this amount throughout the Term of this Agreement regardless whether the Air Carriers continue to operate at the Airport and regardless how much the Air Carriers use the Baggage Claim Area; (b) ninety percent (90%) of the total amount calculated for the Baggage Claim Area shall be prorated, based upon the actual number of outbound bags that enter the baggage handling system. Rent for the Baggage Claim Area is subject to adjustment as provided in Section 20.3.

18.7.2 Reporting Baggage Claim Use

In order for the Port to calculate the cost of the Airline's utilization of the Baggage Claim Area, the Airline shall provide the Port with information as required in Section 18.21. The Port may use other reasonable and accurate alternate sources of information to calculate said amount. If the Port invoices the Airline based on an alternate source, the Airline shall have the right to review and provide additional information to the Port justifying the Airline's position.

18.7.3 Air Carriers Exempt from Baggage Claim Ten Percent (10%) Component

The following classes of Air Carriers shall be exempted from Section 18.7.1(a) if: (a) the only aircraft used by the Air Carrier at the Airport has less than a twenty (20) seat capacity; (b) the Air Carrier is an Affiliate that uses the Airport solely as an Affiliate (because the Air Carrier who contracts with the Affiliate is subject to Section 18.7.1); or (c) the Air Carrier provides service to Airport on an occasional unscheduled basis.

18.8 Non-Preferential Ground Load Holdrooms

The Port shall invoice Airline monthly for Airline's share of the Rents for Non-Preferential Ground Load Holdrooms. Airline's share shall be calculated as follows: Airline's percentage of the total Enplaned Passengers among all the Air Carriers using said Non-Preferential Ground Load Holdrooms, multiplied by the product of the amount of holdroom space and the holdroom rate, as calculated in accordance with Section 19. Rent for Non-Preferential Ground Load Holdrooms is subject to adjustment as provided in Section 20.3. In order to allow the Port to calculate Airline's share, Airline shall provide the Port with its use information, in accordance with Section 18.21 and Section 18.23. The Port may use reasonable and accurate alternate sources of information to calculate said Airline's share. If the Port invoices Airline based on an alternate source, Airline shall have the right to review and provide additional information to the Port justifying the Airline's position.

18.9 Self Service Kiosks

The Airline Kiosks located outside leased Premises shall bear a monthly fee ("Kiosk Fee") calculated based on the number of the Airline's Kiosks outside the Premises, times nine (9) square feet, times the rental rate for Type 1-(ATI) Self Service Kiosks or, in the Port's sole discretion, by the number of monitor screens. If the Port determines the Kiosk occupies more than nine (9) square feet, the Port may charge the Airline for additional square footage or deny the request for placement outside the Premises. The Kiosk Fee shall be adjusted subject to the provisions of Section 20.3, and shall be due and payable to the Port at the beginning of each month. There is no additional charge for Kiosks located within the Premises.

18.10 Common Use

18.10.1 Common Use Ticket Counters

Airline shall pay for the use of Common Use Ticket Counters at rates based on the daily average cost, which cost is not reduced by Revenue Sharing. The rate shall be calculated assuming six (6) hourly uses daily. There is no maximum charge for Common Use Ticket Counter Rent. See **Exhibit L** for calculation details.

18.10.2 Common Use Ticket Office

Common Use Ticket Office space will be charged at Type 2-(ATM) ticket office (month-to-month) rates and shall be adjusted subject to the provisions of Section 20.3.

18.10.3 Common Use Gates

Airline shall pay for the use of Common Use Gates at rates based on the costs of gates needed for flights not handled at leased gates. The rates shall include a fee for active use of the gate, and a fee for remaining at the gate overnight. The Port, in its sole discretion, shall determine the number of gates reasonably required to handle these flights and will periodically review the number of gates at least annually. The rates shall be computed using an allocation of the Terminal Net Requirement, which allocation shall be increased prorata by the square footage of the unleased holdrooms. The result shall be divided by the number of holdrooms which have loading bridges. The resulting cost per holdroom shall be multiplied by the number of Common Use Gates to determine the holdroom cost to be recovered by Common Use Gate fees. The holdroom cost shall be added to the Apron Fees associated with the Common Use Gates, and the equipment Rent for loading bridges at the Common Use Gates and Common Use Equipment fees to determine the total to be recovered. The total of those costs shall be reduced by the fees for remaining at the gate overnight. The remainder shall be divided by the number of flights to establish the rate for active use of the gate. The rate shall not be reduced by Revenue Sharing. The rates established by this Section shall not be subject to adjustment as provided in Section 20.3.

18.10.4 Common Use Kiosks

The Airline shall pay an annual fee for use of Common Use Kiosks. The fee shall not be pro-rated for any part of the Fiscal Year and shall be calculated as follows: the number of Common Use Kiosks times nine (9) square feet, times the rental rate for Type 1-(ATI) space, divided by the number of airlines using Common Use Kiosks.

18.11 IAF Rent Allocation

The Port shall invoice the Airline monthly for the Airline's share of Rent for the IAF. Rent for the IAF shall be calculated as the product of the applicable Terminal Rent rate, determined in accordance with Section 19 for each type of space, subject to adjustment by the provisions of Section 20.3, and the amount of each type of space. Airline's share shall be calculated as follows: Airline's percentage of the Deplaned Passengers using the IAF among all Deplaned Passengers using the IAF for all Air Carriers, multiplied by the Rent for the IAF. The amount of space for the IAF and the related Baggage Claim Area is calculated as follows: (a) if more than 100,000 and less than 300,000 Deplaned Passengers use the IAF in a Fiscal Year, the IAF space and the related Baggage Claim Area shall be reduced two thirds ($\frac{2}{3}$); (b) if more than 300,000 and less than 500,000 Deplaned Passengers use the IAF in a Fiscal Year, the IAF space and the related Baggage Claim Area shall be reduced one third ($\frac{1}{3}$); (c) if more than 500,000 Deplaned Passengers use the IAF in a Fiscal Year, the IAF space and the related Baggage Claim Area shall not be reduced; (d) if less than 100,000 Deplaned Passengers use the IAF in a Fiscal Year, the IAF space and the related Baggage Claim Area shall be reduced one hundred percent (100%); the Airlines shall pay for use of the IAF per Section 18.11.2. All Air Carriers shall pay for the related Baggage Claim Area per Section 18.7.

18.11.1 Reporting IAF Use

In order to allow the Port to calculate the Airline's share amount for IAF use, the Airline shall provide the Port with the required information, as set forth in Section 18.21 and Section 18.23. The Port may use other reasonable and accurate alternate sources of information to calculate said amount. If the Port invoices the Airline based on an alternate source, the Airline shall have the right to review and provide additional information to the Port justifying the Airline's position.

18.11.2 IAF Rate for Reduced IAF Usage

If the number of Deplaned Passengers using the IAF in a Fiscal Year is less than 100,000, the Airlines shall pay IAF Fees equal to the IAF Rate multiplied by the number of Deplaned Passengers using the IAF for that Fiscal Year. As of the Effective Date, the IAF Rate is FIVE DOLLARS AND NO CENTS (\$5.00), per passenger, and will increase by three percent (3%) as of July 1 of each Fiscal Year beginning July 1, 2011, throughout the Term of this Agreement. The IAF Rate for reduced usage may not be sufficient to generate IAF Fees to pay all O&M Expenses and debt service requirements of the IAF. The Passenger Carriers pay the difference (if any) as part of Terminal Rent.

18.12 Annual Equipment Rent

"Annual Equipment Rent" for equipment owned by the Port and leased to the Airline shall be in addition to the Rent charged for space leased to the Airline. For the purposes of calculating the annual capital costs referred to below, the useful life of aircraft loading bridges shall be fifteen (15) years; the useful life of conveyor systems shall be ten (10) years; and the useful life of tenant improvements shall be ten (10) years. Annual Equipment Rent thus shall be calculated as follows:

18.12.1 Loading Bridges

Annual Equipment Rent for each aircraft loading bridge shall be the average of the capital costs, including Debt Service Coverage and Port incurred O&M Expenses for all such aircraft loading bridges. Rent for loading bridges is subject to adjustment as provided in Section 20.3.

18.12.2 Baggage Make-up Conveyor System

Annual Equipment Rent for Baggage Make-up conveyor system shall be equal to the Port incurred O&M Expenses for the Baggage Make-up conveyors. Rent for the Baggage Make-up conveyor system is subject to adjustment as provided in Section 20.3. The Port will invoice the Baggage Consortium for these charges. The Airlines shall individually or, through their Baggage Consortium, provide the Port with a monthly report of the actual number of bags handled on their behalf in accordance with Section 18.21.

18.12.3 Tenant Improvements

Annual Equipment Rent for tenant improvements shall be equal to the capital costs including Debt Service Coverage.

18.12.4 Other Equipment

Any other equipment owned by the Port and leased by the Airline shall bear an Annual Equipment Rent equal to the capital costs, including Debt Service Coverage and Port incurred O&M Expenses for each such piece of equipment.

18.13 Billable Fees for Equipment

The Port may charge the Airline directly for repairs and/or O&M Expenses for equipment, which the Port reasonably believes to be beyond normal wear and tear, and which the Port reasonably believes to be caused by the Airline. Any such items charged to the Airline shall be excluded from the calculation of O&M Expenses in Section 18.12.

18.14 Non-Signatory Premium

The Non-Signatory Airlines, excluding Affiliates to the extent provided in Section 33.6, shall pay a twenty-five percent (25%) premium for the lease of all Month to Month or long term space at the Airport as well as: (a) allocated costs of Baggage Claim Areas, Non-Preferential Ground Load Holdrooms, the International Arrival Facility, Common Use Self Service Kiosks, Baggage Make-up conveyors and Overflow Baggage Make-up Areas; and (b) fees for Common Use Gates, Common Use Ticket Counters, Common Use Ticket Office, Apron Fees and loading bridges.

18.15 Other Charges

18.15.1 Taxes

The Airline agrees to pay when due all taxes, assessments, user fees, and other charges, however named, which after the Effective Date and before the termination of this Agreement may become a lien, or which may be levied by the state, county, city, district or any other body upon the Premises, or improvements thereto, or upon any interest of the Airline acquired pursuant to this Agreement, or any possessory right which the Airline may have in or to the Premises or the improvements thereon by reason of its occupancy thereof, as well as all taxes, assessments, user fees or other charges on all property, real or personal, owned by the Airline in or about said Premises (collectively, "Taxes"), together with any other charge levied wholly or partly in lieu thereof. If available by law, rule or order of the taxing authority, the Airline may, but only with the Port's prior written consent, which consent shall not be unreasonably withheld, make payments in installments, as allowed by Multnomah County. To the extent that the Airline qualifies for tax-exempt status, the Airline may apply for such exemption; however, unless an exemption is obtained, the Airline shall pay all Taxes due under this Section. The Airline may contest the validity

of an assessment against the Premises so long as the Airline deposits with an escrow agent approved by the Port, with irrevocable instructions to pay such funds to the taxing authority upon written instruction from the Port, sufficient funds to satisfy any amount determined to be owing at the conclusion of the proceeding to contest the assessment. In the event that the Airline fails to pay Taxes on or before their due date, then, in addition to all other remedies set forth in Section 31, the Port shall automatically have the right, but not the obligation, to pay the Taxes and any interest and penalties due thereon, with notice to the Airline, and the Airline shall promptly reimburse the Port for any sums so paid. The Airline understands that the Premises is exempt from real property taxes until leased to a taxable entity. In the event that the Term of this Agreement ends after the end of any tax year, the Airline, unless exempt, shall be responsible for payment of property taxes for the entire tax year without proration, or, in the event of any change in property tax law, for any taxes due under such law (currently, the Multnomah County tax year runs from July 1 to June 30), and such taxes shall be paid, in full by Airline, on or before termination of this Agreement.

18.15.2 Other Taxes, Assessments, and Licenses

The Airline shall, at its own expense, obtain all permits, licenses, approvals and certificates and pay all Taxes, assessments, fees and charges owed by the Airline, as required by any regulation, or any law of the City of Portland, County of Multnomah, State of Oregon, the United States, or other governmental body with regard to the business to be conducted by the Airline on the Airport, or within its Airline Premises pursuant to the terms of this Agreement. The Airline may, however, at its own risk, cost, and expense, and at no cost to the Port, contest by appropriate judicial or administrative proceedings, the applicability or amounts of any such Taxes, assessments, fees and charges.

18.15.3 Miscellaneous Charges to Airline

The Port may assess reasonable and non-discriminatory charges for miscellaneous facilities, activities, items or services provided to, or performed for Airline by the Port, but only if such charges, facilities, activities, items or services are either: (a) not specifically addressed in this Agreement and are accepted by the Airline; or (b) mandated by a governmental body or agency other than the Port.

18.16 Payment Due Dates

All Rent payments for leased or rented space are calculated on a per day basis. The Airline shall pay: (a) Exclusive Space; (b) Preferential Space; (c) Shared Space; (d) Month-to-Month Ticket Office; (e) Self Service Kiosk Rent; (f) Baggage Claim Area fees; (g) Baggage Make-up conveyor Rent and equipment fees; and the (h) Aircraft Apron Fees specified in Section 18.4.1 in advance on or before the first (1st) day of each calendar month. For ease of payment and administration, the Airline and the Port have agreed to the payment schedule set forth in this Section, and as summarized for the Airline's ease of reference on **Exhibit C-1**, with the express understanding that in the event of a bankruptcy filing, Rent is due each day and Rent for each and every day following the date of the bankruptcy filing is agreed to be a post petition obligation of the Airline. The Airline shall pay its charges for Landing Fees and IAF Fees within thirty (30) calendar days following the last day of each calendar month, without demand or invoice. The Airline's Non-Preferential Ground Load Holdroom rentals, Common Use Space rentals, Aircraft Apron Fees prorated per Section 18.4.1(d), employee parking fees, and all other charges permitted hereunder shall be due within thirty (30) calendar days of the Port's invoice therefore. In the event the Effective Date or the

Expiration Date or earlier termination date with respect to any of the Premises, facilities, rights, licenses, services or privileges as herein provided falls on any date other than the first or last day, respectively, of a calendar month, the applicable Rent for that month shall be paid for said month on a pro rata basis according to the number of days during which said particular Premises, facilities, rights, licenses, services or privileges were enjoyed during that month. Notwithstanding the foregoing, Aircraft Apron Fees associated with a Non-Preferential Ground Load Holdroom, Non-Preferential Ground Load Holdroom rentals, Baggage Make-up conveyor fees and Baggage Claim Area fees shall be paid in the manner provided in Sections 18.4.1(d), 18.8, and 18.12.2. Payment of Rent and other amounts due under this Agreement shall be made without offset, abatement or deduction, to the Port at the address set forth in Section 18.17, or such other place as the Port may designate.

18.17 Place of Payment

All payments required of Airline by any section of this Agreement shall be made to the following address:

Port of Portland
P.O. Box 5095
Portland, Oregon 97208-5095

or to such other address as the Port may substitute therefore, in accordance with the requirements of Section 36.25.

18.18 Delinquency Charge

All Rent and other amounts not paid when due shall bear a delinquency charge of eighteen percent (18%) per annum ("Delinquency Charge"), or the maximum rate of interest allowed by law, whichever is less, from the date such Rent or other amount is due until paid in full. The Delinquency Charge is subject to periodic change by the Port. No change shall occur, however, without at least thirty (30) calendar days prior written notice to the Airline. Imposition of a Delinquency Charge shall not constitute a waiver of any other remedies available to the Port for Airline's failure to timely pay Rent or any other amounts.

18.19 Returned Checks

If the Airline's check for payment of Rent, or any other amount due under this Agreement, is returned to the Port for any reason, the payment shall be considered not to have been made and shall be delinquent. In addition to the Delinquency Charge, the Port may charge the Airline a returned check fee of FIFTY DOLLARS AND NO CENTS (\$50.00) per returned check, which the Airline agrees is a reasonable fee for the additional administrative time and expense incurred by the Port in having to deal with the returned check. The Delinquency Charge shall continue to accrue until the returned check fee is paid, the check can be cashed, and the Port receives all funds due.

18.20 Transition Payment

If, for any reason, execution of this Agreement follows the Effective Date, the Port shall invoice the Airline and the Airline shall pay within thirty (30) calendar days following receipt of said invoice, a one (1) time billing adjustment for the period between the Effective Date and the execution date of this Agreement. Such invoice shall be based upon the activity of the Airline

during said period, the space actually occupied by the Airline, and the rentals, fees, and charges established in this Agreement.

18.21 Reports to be Supplied by Airline

Unless and until the PDX baggage handling system is commissioned, and during any periods of system malfunction, each airline shall provide reports to the Port. Not later than five (5) Business Days after the end of each month, the Airline shall file with the Port separate reports, on form(s) provided by the Port or forms approved and accepted by the Port: (a) for activity conducted by the Airline during said month at the Airport; (b) for any aircraft flights, scheduled or non-scheduled, handled by the Airline for other aircraft operators not having an agreement with the Port; (c) for actual outbound baggage counts that enter the baggage handling system; and (d) for activity conducted by any Affiliate(s) during said month at the Airport (collectively, "Monthly Reports"). The Port prefers that the Airlines submit reports electronically but will accept timely filed hard copy reports. The Port reserves the right to collect and use information for the calculation of Rent from other reasonable and accurate sources. If the Port uses information from other sources for the calculation of Rent, the Airline has the right to review and provide additional information justifying the Airline's position. Notwithstanding the foregoing, if Airline is no longer serving Airport, Airline is released of the monthly reporting obligation until Airline resumes service to Airport.

18.22 Information to be Supplied by the Port

Not later than the twentieth (20th) day of each month, the Port shall post a composite statistical report for the preceding month on the Port of Portland website, http://www.portofportland.com/Aviation_Stat.aspx.

18.23 Calculation of Deplaned Passengers and Enplaned Passengers

The Airline's Deplaned Passengers and Enplaned Passengers totals shall include, in addition to the Deplaned Passengers and Enplaned Passengers directly served by the Airline, the number of Deplaned Passengers and Enplaned Passengers for Affiliates, plus the number of Deplaned Passengers and Enplaned Passengers handled by the Airline for other Air Carriers who do not have an agreement with the Port.

18.24 Invoices Upon Airline Failure to Supply Required Information

In the event the Airline fails to submit the Monthly Report required by Section 18.21 when due, the Port shall base its invoice for Rent upon the most recent data transmitted by the Airline to the Port, with such charges to be adjusted as necessary on the next succeeding payment date. If statistical data to be submitted by the Airline continues to be unavailable in the next succeeding month, the Port may consider such conduct to be an Event of Default (as defined in Section 31) and/or the Port may develop estimates as to the Airline's monthly activity at one hundred twenty percent (120%) of the Airline's highest monthly activity level during the preceding six (6) months for use in the calculation of Rent until such time as actual data is available, at which time the Airline shall pay any additional amount due within thirty (30) calendar days of the date of the Port's issuance of its billing. In the event said actual data establishes that the Airline has been overcharged as a result of the estimate, then the Airline shall be entitled to an offsetting credit for any future amounts due for the same Rent.

18.25 Acceptance of Payment Is No Waiver

The acceptance by the Port of any Airline payment shall not preclude the Port from verifying the accuracy of the Monthly Reports on which Rent is based, and shall not be construed as a waiver of any balance which may be due from the Airline. In the event any such balance is found to be due from the Airline as the result of an audit pursuant to Section 18.27, interest shall accrue thereon from the date the payment was originally due, at the Delinquency Charge.

18.26 Late Monthly Reports

The parties acknowledge that the Port incurs additional administrative expense if Airline's Monthly Reports, as described in Section 18.21, are not completed and received by the due date of each Report. To compensate the Port for this administrative expense, Airline agrees to pay the Port TWO HUNDRED FIFTY DOLLARS AND NO CENTS (\$250.00) per month, as a reasonable fee to compensate the Port for its additional administrative costs, for each Monthly Report which is not complete and received by its due date. Said TWO HUNDRED FIFTY DOLLARS AND NO CENTS (\$250.00) payment shall be paid within thirty (30) calendar days of the Port's invoice.

18.27 Audit of Airline Records

The Airline shall at all times maintain, for a period of at least six (6) years, following expiration of the Agreement, its books, records, ledgers, accounts or other records ("Records") containing entries as are relevant to the determination and verification of any Rents, fees or charges under this Agreement. All such 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 Agreement. The Port shall have the right, upon reasonable notice, during reasonable business hours, and in a manner that is not unduly disruptive to the Airline, to conduct an audit, examination, or inspection of the Airline's original Records and computerized systems relating to the Airline's operations in order to determine the accuracy of the fees and charges paid by the Airline to the Port. The Airline agrees to reasonably accommodate the Port's representatives by providing adequate workspace (including electrical outlets and phone access), allowing photocopying of any records and documents, allowing access to fax machines and other needed office equipment, and allowing the interviewing of such employees as the representatives deem necessary to conduct and support their audit. The Airline shall, if requested, freely lend assistance in making such audit, examination or inspection; and, if such Records are maintained in electronic and other machine readable format, shall provide the Port and/or its representatives such assistance as may be required to allow complete access to such Records within fifteen (15) Business Days from the original request. If the Airline does not make the Records available within fifteen (15) Business Days, a charge of ONE HUNDRED DOLLARS AND NO CENTS (\$100.00) per day, which the parties hereby agree is a reasonable amount to cover the Port's administrative expenses of enforcing compliance with this Section, for each day the Records are late, will accrue and be due and payable to the Port. In those situations where the Airline's Records have been generated from computerized data, the Airline agrees to provide the Port's representative with extracts of data files in a computer readable format on data disks, e-mail with attached files or suitable alternative computer data exchange formats. If such Records are maintained outside the City of Portland, Oregon, the Airline shall make provisions to transfer the documents to Portland, but if the Airline fails to provide all required documentation to a location within Portland, Oregon, the Airline agrees, subject to the limitation below, to reimburse the Port for expenses incurred in sending representatives to wherever

such Records are maintained. Such expense will include transportation, lodging, food and other out of pocket expenses resulting from the necessity to leave Portland, Oregon. If the result of any audit reveals an underpayment by the Airline of more than three percent (3%) of fees and charges due pursuant to this Agreement: (a) Airline shall, within thirty (30) calendar days following issuance of the Port's invoices therefore, pay the balance owed, plus interest thereon at the rate specified in Section 18.18, from the date originally due; and (b) all costs and expenses of the audit incurred by the Port hereunder shall be paid by the Airline and credited by the Port to the appropriate Cost Center of the Airline Supported Area. If the result of any audit reveals an overpayment by the Airline of more than three percent (3%) of Rents due pursuant to this Agreement, the Port shall, within thirty (30) calendar days following the discovery of the Airline's overpayment, pay the Airline the overpaid amount. The Port's right to inspect and audit Airline Records shall survive the expiration or early termination of this Agreement.

19. TERMINAL RENT

Terminal Rent for Exclusive Space, Preferential Space, Shared Space, the Baggage Claim Area, the International Arrival Facility, Month-to-Month Space, Common Use Ticket Offices, Self Service Kiosks and Non-Preferential Ground Load Holdrooms shall be effective July 1 of each Fiscal Year and shall be calculated according to the methodology described in this Section.

19.1 Terminal Requirement

The Terminal requirement shall be calculated by summing the following elements: (a) the total annual Direct O&M Expenses and Indirect O&M Expenses allocated to the Terminal Cost Center; (b) the total annual Direct and Indirect Debt Service allocated to the Terminal Cost Center; and (c) annual Debt Service Coverage on Direct and Indirect Debt Service allocated to the Terminal Cost Center.

19.2 Terminal Net Requirement

The Terminal Net Requirement shall be calculated by subtracting the following items from the Terminal requirement: (a) loading bridge fees; (b) Baggage Make-up conveyor systems fees; (c) tenant improvement fees; (d) reduced IAF Fees per Section 18.11.2; (e) Common Use Space fees; (f) Common Use Kiosk fees; (g) Aircraft Apron fees; (h) Overflow Baggage Make-up Area fees; (i) other Terminal Rents; (j) Non-Airline Revenues, both direct and indirect, allocated to the Terminal Cost Center; and (k) interest income allocated to the Terminal from the Airport Fund.

19.3 Weighted Values Table

The Port and the Airline desire to use existing Terminal space in a manner that postpones or minimizes new construction. Accordingly, to encourage the efficient use of space, the Terminal Rents are calculated using the following weighted values:

Coded Type of Space	Description	Weight Value
1-(ATC)	Ticket Counters	1.00
1-(ATI)	Self Service Kiosks	1.00
2-(ADA)	Departure Area (Holdrooms)	.90
2-(APL)	Passenger Lounges	.90
2- (ATO)	Ticket Offices	.90
2-(ATM)	Common Use Ticket Offices	.90
3-(AUA)	Upper Levels Area	.75
3-(ABC)	Joint Baggage Claim	.75
4-(ASO)	Baggage Service Offices	.60
4-(AOM)	Operations and Maintenance (lower level space)	.60
5-(AIA)	International Arrival Facility	.40
5-(AOB)	Baggage Make-up Rooms	.40
6-(AIB)	In-bound Baggage Road (Enclosed Baggage Road)	.25

19.4 Weighted Terminal Space

Weighted Terminal space shall be the total of the following:

- (a) The total of the products of each type of Signatory Passenger Airline Exclusive, Preferential and Shared Space, Self Service Kiosks; the portion of the International Arrival Facility used by Signatory Passenger Airlines, unless its Rent is computed per Section 18.11.2; the portion of Non-Preferential Ground Load Holdrooms used by Signatory Passenger Airlines; Common Use Self Service Kiosks square footage; and the appropriate weight from the weighted values table in Section 19.3;
- (b) The total of the products of each type of Month-to-Month Space square footage and the appropriate weight from the weighted values table in Section 19.3. The total shall be increased by twenty-five percent (25%);
- (c) The total of the products of each type of space in the Baggage Claim Areas and the appropriate weight from the weighted values table in Section 19.3;

(d) The total of the product of leased Common Use Ticket Office space square footage and the appropriate weight from the weighted values table in Section 19.3; and

(e) The total of the products of each type of Non-Signatory Airline occupied Exclusive, Preferential and Shared Space square footage; the portion of the International Arrival Facility used by Non-Signatory Airlines, unless its Rent is computed per Section 18.11.2; the portion of Non-Preferential Ground Load Holdrooms used by Non-Signatory Airlines; and the appropriate weight from the weighted values table in Section 19.3. The total shall be increased by twenty-five percent (25%).

19.5 Leased Space

The calculation of weighted Terminal space shall exclude: (a) unleased space; (b) all Common Use Gates; (c) all Common Use Ticket Counter; (d) Aircraft Parking Aprons; (e) Overflow Baggage Make-up Areas; and (f) the International Arrivals Facility if its Rent is computed per Section 18.11.2.

19.6 Terminal Rent Rate

The allocation of Terminal Net Requirement and Terminal Rent rates shall be calculated as follows:

19.6.1 Allocation of Terminal Net Requirement

The Terminal Net Requirement shall be allocated by weighted Terminal space into the following categories:

(a) Signatory Passenger Exclusive, Preferential and Shared Space; Self Service Kiosks; the portion of the International Arrival Facility used by Signatory Passenger Airlines, unless its Rent is computed per Section 18.11.2; the portion of Non-Preferential Ground Load Holdrooms used by Signatory Passenger Airlines; Common Use Self Service Kiosks; and Month-to-Month Space.

(b) the Baggage Claim Areas.

(c) Common Use Ticket Offices.

(d) Non-Signatory Airlines' Exclusive, Preferential and Shared Space; the portion of the International Arrival Facility used by Non-Signatory Airlines unless its Rent is computed per Section 18.11.2; the portion of Non-Preferential Ground Load Holdrooms used by Non-Signatory Airlines.

19.6.2 Terminal Rent Rates for Signatory Space

The Terminal Rent rates for Signatory Exclusive, Preferential and Shared Space; Self Service Kiosks; the portion of the International Arrival Facility used by Signatory Airlines, unless its Rent is computed per Section 18.11.2; the portion of Non-Preferential Ground Load Holdrooms used by Signatory Airlines; Common Use Self Service Kiosks shall be calculated as follows:

(a) The allocated Terminal Net Requirement from Section 19.6.1(a) shall be reduced by fifty percent (50%) of Revenue Sharing allocated to the Terminal;

(b) The weighted Terminal space from Section 19.4(a) and Section 19.4(b) shall be combined;

(c) the Signatory Type 1-(ATC) Ticket Counters Rent rate shall be calculated by dividing the reduced Terminal Net Requirement by the combined weighted Terminal space;

(d) the Signatory Passenger Airline Rent rate for other space types for areas shall be calculated by multiplying the Signatory Type 1-(ATC) Ticket Counters Rent rate by the appropriate weight from the weighted values table in Section 19.3;

(e) the Signatory Passenger Airline Rent rate for Month-to-Month Space shall be calculated by increasing the rates calculated above by twenty-five percent (25%).

19.6.3 Terminal Rent Rates for Common Use Ticket Office Space

The Terminal Rent rates for Common Use Ticket Office Space shall be calculated as follows:

(a) the Terminal Net Requirement allocated per Section 19.6.1(c) shall be divided by weighted Terminal space per Section 19.4(d);

(b) the result of step (a) above shall be multiplied by the Type 2-(ATM) Ticket Offices weight from the table in Section 19.3.

19.6.4 Terminal Rent Rates for Non-Signatory Space

The Terminal Rent rates for Non-Signatory Exclusive, Preferential and Shared Space; the portion of the International Arrival Facility used by Non-Signatory Airlines, unless its Rent is computed per Section 18.11.2; and the portion of Non-Preferential Ground Load Holdrooms used by Non-Signatory Airlines shall be calculated as follows:

(a) the Type 1 - (ATC) Ticket Counters Rent rate shall be calculated by dividing the allocated Net Requirement per Section 19.6.1(d) by the weighted Terminal space per Section 19.4 (e);

(b) the Rent rate for other space types shall be calculated by multiplying the Type 1-(ATC) Ticket Counters Rent rate by the appropriate weight from the weighted values table in Section 19.3.

20. ADJUSTMENTS TO RENT

20.1 Annual and Periodic Rent Adjustments

Rent rates shall be reviewed annually, in conjunction with the Port's budgeting process, and may be adjusted effective on July 1 of each Fiscal Year. Any adjustments shall be in conformance with the methods and format described in Section 19. In addition, the Port may adjust Rent rates in order to remain in compliance with Ordinance No. 155 and Ordinance No. 323, with respect to the Airfield Cost Center and the Terminal Cost Center. Such adjustments may be made at any time that un-audited monthly Airport financial data indicates that total Rent payable pursuant to the then current rate schedule is estimated and anticipated by the Port to produce higher or lower Revenues than would be received if rates for Rent were based upon more current information. The Port shall provide an adjusted rate schedule to the Airline at each adjustment.

20.2 Annual Operating Budget Process

Prior to the inception of a new Fiscal Year, the Port shall provide the Airline with electronic access to, or a hard copy of the Port's proposed schedule of Rent rates for the ensuing Fiscal Year. Said rates shall be determined in conformance with the methods described in Section 19. Within

thirty (30) calendar days after the forwarding of the proposed schedule for Rent, the Port and the AAAC shall meet, at a mutually convenient place and time, to engage in meaningful discussions regarding the proposed budget and proposed Rent rates. In advance of said meeting, the Port agrees to make available any reasonably requested additional information related to the determination of Rent rates. The Port desires the input of the members of the AAAC regarding the schedule of Rent for the ensuing Fiscal Year. Following this meeting, the Port shall finalize the budget and determine Rent. The Port shall thereafter notify the Airline of Rent rates established for the ensuing period. The Port shall, upon request, provide the Airline a copy of the finalized operating budget.

20.3 Final Adjustment of Rates after Annual Audit of Port Records

Within one hundred twenty (120) calendar days following the close of each Fiscal Year, or as soon as audited financial data for said Fiscal Year is available, rates for Rent for the preceding Fiscal Year shall be recalculated using audited financial data and the methods set forth in Section 19. Any difference(s) between the Rent that would have been paid by Signatory Airlines using said recalculated rates shall be applied as year end adjustments to the Airport accounts. Said adjustments shall be applied to the particular Rent for which a difference(s) in rates resulted in overpayment or underpayment of Rent. Any underpayment shall be invoiced by the Port and paid by the Airline within thirty (30) calendar days following the issuance of said invoice. Subject to the provisions of Section 20.7, any overpayment shall be refunded to the Airline within thirty (30) calendar days of its determination.

20.3.1 Time Limit on Reconciliation

The Port shall not invoice the Airline, and the Airline shall not seek a reconciliation reimbursement from the Port for any error in Terminal Rents discovered more than six (6) months after the final adjustment of Terminal Rents is issued as provided in Section 20.3. This time limit on reconciliation adjustments will not apply to a significant error identified through audit findings per Section 18.27 or Section 20.8.

20.4 Adjustments for Additional Bonds

For any Capital Improvement in the Airline Supported Area allowed under the provisions of Section 24, if the Port intends to finance the Capital Improvement(s) through revenue bonds, the Port may adjust Rent to the extent necessary to comply with any earnings test(s) of Section 4 of Ordinance No. 155 and Section 10 of Ordinance No. 323, for the issuance of additional revenue bonds. Prior to adjusting said Rent in the Airline Supported Area as provided in Section 20.1, the Port shall ascertain which Cost Centers would benefit from the Capital Improvement(s). Rent for those Cost Centers shall then be adjusted to generate the necessary Debt Service Coverage required by Ordinance No. 155 and Ordinance No. 323. If the bonds are not issued, or if the additional Revenues are no longer required to comply with Ordinance No. 155 and Ordinance No. 323 after issuance of the additional bonds, Rent paid by the Airline under this Section shall be considered an overpayment by the Airline and shall be credited to the Airline in a like manner to that provided for in Section 20.3.

20.5 No Formal Amendment

Adjustments to Rent pursuant to Section 20 shall apply without the necessity of formal amendment of this Agreement by replacing **Exhibit C** with a new **Exhibit C**. The new **Exhibit C** will show the calculation of Rent rates for the Fiscal Year and shall be deemed part of this Agreement.

20.6 Continuation of Unadjusted Rates

If adjustment of Rent is not completed by the Port on or prior to the end of any Fiscal Year, Rent then in existence shall continue to be paid by the Airline until adjustment is concluded. At the time such adjustment is concluded, appropriate payments by the Airline, or credits to the Airline, shall be made to adjust Rent paid to date in said Fiscal Year to the amounts that would have been paid had the new Rent rates been effective at the beginning of said Fiscal Year.

20.7 Refunds and Payments to the Airline

20.7.1 Source of Funds

Any cash payment of any amounts due to the Airline pursuant to this Agreement, except for Revenue Sharing, shall be payable only from funds in or available for deposit in, the Airport General Account. Revenue Sharing shall be paid from the Port Cost Center.

20.7.2 Offset for Amount Owed to the Port

Any refund or payment to the Airline pursuant to this Agreement to the extent payable under the provisions of Section 22, shall be retained by the Port for offset if Airline is not current on payment of all Rent due to the Port. The set-off amounts shall be applied as determined by the Port in its sole discretion and may be applied to pay any amounts, including amounts that became due prior to the commencement of bankruptcy by the Airline. To the greatest extent allowed by law, if the Airline is in bankruptcy, all refunds and all payments will be retained by the Port for offset until: (a) the Signatory Agreement has been assumed by the Airline and all Rent due under this Agreement has been paid in full; (b) the Signatory Agreement has been rejected by the Airline and all Rent and any rejection damages suffered by the Port have been paid in full; or (c) the Signatory Agreement expires and all Rent has been paid in full.

20.8 Port Accounting Covenants

20.8.1 Maintenance of Books and Records

The Port shall maintain and keep proper books of account, and observe sound business principles for effective and prudent control of operation, maintenance, and administration expenses. Except as restricted by law, the Airline shall have the right to reasonably inspect the Port's books of account during regular business hours. The Port shall at all times maintain and, for a period of at least six (6) years, keep books, records, ledgers, accounts or other records ("Port Records") containing entries as are relevant to the determination and verification of any Rent, fees or charges under this Agreement. All Port 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 Airline to calculate and verify the fees and charges due under this Agreement. The Airline shall have the right, upon reasonable notice, during reasonable business hours, and in a manner that is not unduly disruptive to the Port, to conduct an audit, examination, or inspection of the Port Records and computerized systems relating to the Port's operations in order to determine the accuracy of the fees and charges paid by the Airline to the Port. The Port agrees to reasonably accommodate Airline's representatives by providing adequate workspace (including electrical outlets and phone access), allowing photocopying of any records and documents, allowing access to fax machines and other needed office equipment, and allowing the interviewing of such employees as the representatives deem necessary to conduct and support their audit. The Port shall, if requested, freely lend assistance in

making such audit, examination or inspection; and, if such Records are maintained in electronic and other machine-readable format, shall provide Airline and/or its representatives such assistance as may be required to allow complete access to such records within twenty (20) Business Days from the original request.

20.8.2 Calculation Methodology

The Port shall calculate the Airline's rates for Rent in a manner: (a) that is consistent with this Agreement; (b) which shall not render taxable any federally tax exempt revenue bonds issued to finance Airport construction; and (c) which includes in the calculation Rent rates payable by the Airline those Revenues, expenses, debt service, Debt Service Coverage and unpaid Revenues due from any user of the Airline Supported Area, all of which must be properly allocable to the Airline Supported Area, together with any payment obligations or costs assessed, or expenditures mandated or required by any governmental agency (other than the Port) if a direct charge is paid, or accrued, by the Port as a result of the governmental action. Rent charged by the Port shall be consistent with federal law or applicable federal policy statements with respect to rates and charges.

21. PASSENGER CHARGES

21.1 Passenger Facility Charges

The Port imposes PFCs in accordance with 49 USC 40117 and applicable implementing regulations adopted by the FAA, 14 CFR 158, as they may be amended from time to time. The Airline acknowledges that the PFCs are Port revenue and that the Airline has no property interest in these funds, with the exception of the amounts Airline may withhold constituting "Collection Compensation" as that term is defined under 14 CFR 158.53.

21.2 Miscellaneous Charge to Passengers

To the extent allowed by law, this Agreement shall not preclude the Port from charging passengers and other members of the general public any other fees it deems reasonable for use of Airport facilities. Notwithstanding the foregoing sentence, the Port will consult with the AAAC on any new fee potentially impacting Airline operations in the Terminal.

22. REVENUE SHARING

The parties acknowledge that the Port is under no obligation to share Port Cost Center Revenues, however, in response to the Signatory Airlines' request, the Port has agreed to share THIRTY MILLION DOLLARS AND NO CENTS (\$30,000,000.00) of Port Cost Center Revenue with the Signatory Airlines. The Revenue Sharing will be divided into annual installments of SIX MILLION DOLLARS AND NO CENTS (\$6,000,000.00) subject to any adjustments, offsets or reductions, as set forth in Sections 22.2, 22.3, and 23.

22.1 Distribution Formula

Revenue Sharing will be allocated between the Terminal and the Airfield in proportion to the Net Requirements of those Cost Centers before Revenue Sharing. With respect to the Terminal, Revenue Sharing will be allocated fifty percent (50%) to offset Terminal rental rates, and fifty percent (50%) to offset Baggage Claim Area rates.

22.2 Discontinuation of Revenue Sharing

Revenue Sharing will only occur to the extent that the Port Cost Center Coverage Ratio remains above 2.350. If, at any time during the Term of this Agreement, the scheduled Revenue Sharing transfer would cause the Port Cost Center Coverage Ratio to drop below 2.350, then the amount of the scheduled transfer will be reduced to a level that will keep the Port Cost Center Coverage Ratio level from falling below 2.350. This reduction shall be made without liability to the Port and shall not result in any other changes to the terms of this Agreement. If a reduction in Revenue Sharing occurs due to the Port Cost Center Coverage Ratio dropping below 2.350, the Port shall transfer the reduction in the next year of this Agreement if the Port Cost Center Coverage Ratio remains above 2.350 with the shortfall added. This provision shall continue until the Port transfers all shortfalls, or this Agreement expires, whichever shall occur first.

22.3 Additional Revenue Sharing

The Port shall transfer the following percentages of incremental Net Revenues as additional Revenue Sharing if the Airport Coverage Ratio exceeds 1.750 after the transfers of all shortfalls per Section 22.2.

Net Revenues above this Airport Coverage Ratio	Net Revenues up to and including this Airport Coverage Ratio	Percentage of this increment paid as additional Revenue Sharing
1.700	1.800	50%
1.800	1.900	25%
1.900	2.000	15%
2.000		0%

A hypothetical example of additional Revenue Sharing calculation is shown on **Exhibit J**.

23. OPERATING AND MAINTENANCE EXPENSE REBATE PROGRAM

The Port intends to aggressively manage O&M Expenses. If the Port is able to spend less for O&M Expenses than it did for the prior Fiscal Year, the Signatory Airlines have agreed to reduce Revenue Sharing pursuant to the calculation provided in this Section. The target for each Fiscal Year shall be the prior Fiscal Year's O&M Expenses.

The O&M targets are subject to adjustment upward, based on any change in state or federal law, or federal agency directive, that requires additional O&M expenditures that were required in the prior Fiscal Year. The Port will advise the AAAC of any such adjustments at the next regularly scheduled AAAC meeting. At no time will the amount of a Revenue Sharing reduction exceed the amount contributed to total Revenue Sharing by the Port.

If actual O&M Expenses are less than the target established in any Fiscal Year, Revenue Sharing will be reduced as calculated below.

O&M Expenses Below this Percentage of Target	O&M Expenses Down to and including this Percentage of Target	Revenue Sharing Reduced by this Percentage of the Increment
100%	98%	10%
98%	96%	15%
96%	94%	20%
94%	92%	25%
92%		30%

A hypothetical example of a reduced Revenue Sharing calculation is shown on **Exhibit J**.

24. AIRPORT CAPITAL IMPROVEMENTS

The Port may not commence construction on any Capital Improvement project that received Airline approval under the MII process if the estimate later exceeds one hundred and ten percent (110%) of initial estimate approved pursuant to Section 24.5. Instead, the Port will submit the project for MII review a second time to obtain approval for the project in light of the new construction cost estimate.

24.1 Airport Capital Improvement Program

The parties hereto recognize that capital development of the Airport will be required during the Term of this Agreement to preserve, protect, enhance, expand, or otherwise improve the Airport, or any part thereof. The Port may, therefore, incur indebtedness and make expenditures for Capital Improvements in the Airport. Except as restricted by Section 24, all costs associated with Capital Improvements in the Airline Supported Area, including finance charges, if any, shall be included in the calculations of Airline Rents. In conjunction with issuing additional bonds to pay for Capital Improvements, the Port agrees to pursue and use grant funding and other funding sources, such as PFCs, Debt Service Coverage, and Interest Rate Swaps, to the extent the Port deems reasonable.

24.1.1 Capital Improvement Projects Subject to MII Disapproval

Prior to implementation of any Capital Expenditure with a total cost in excess of ONE MILLION DOLLARS AND NO CENTS (\$1,000,000.00), the Port will provide the following information to the Signatory Airlines on a Project Fact Sheet ("Project Fact Sheet"): (a) project name; (b) project number; (c) project description; (d) project schedule; and (e) financial information, including total project cost, cash flows, funding plan, the anticipated operating cost, and the anticipated impact on Airline Rents as shown on **Exhibit K**. This information will be presented to the AAAC, and will proceed in accordance with the MII disapproval process outlined in Section 24.5. Not less than twice annually, the Port will report to the AAAC regarding the schedule, budget, and any scope revisions on projects subject to the MII process.

24.1.2 South Runway Pre-Approval

The Port and Airline acknowledge and agree that the South Runway requires substantial repairs and/or rehabilitation within the next two (2) years and that South Runway construction must begin during the 2011 construction season. The Port and Airline have agreed that the South Runway construction project will commence on time during the 2011 construction season. The South Runway construction project will be subject to the MII disapproval process for both scope and budget.

24.2 Capital Improvement Projects Not Impacting Airline Rate Base

The Port and Airlines agree that the Port will use Debt Service Coverage to fund Capital Improvements in the Port's sole discretion. The Airlines have no disapproval rights for Capital Improvements funded in a manner that does not directly impact the Airline rate base.

24.3 Other Capital Improvement Projects Not Subject to the MII Process

The following Capital Improvement projects are also approved and are not subject to MII process, however if the expenditure exceeds ONE MILLION DOLLARS AND NO CENTS (\$1,000,000.00), an AAAC consultation will occur except for those Capital Improvement projects that must be implemented in response to an emergency situation. These projects shall not be subject to the consultation requirement:

24.3.1 Public Safety

Improvements required, pursuant to regulations or laws promulgated by any federal, state, or local government authority having jurisdiction over the Airport, for public safety when directed by any governing authority, including, but not limited to, Department of Homeland Security, FAA, TSA, CBP, and the Federal Bureau of Investigation, the National Transportation Safety Board, U.S. Fish and Wildlife, the Department of Agriculture, or any other federal, state, or local governmental authority having jurisdiction over the Airport, the Airline's operations, or the safety of the Airport's operations.

24.3.2 Damage Not Covered by Insurance Proceeds

Casualty damage to Airport property which exceeds the proceeds of insurance, or is not covered by insurance, or is below the deductible of the insurance, which property must be rebuilt or replaced in order to satisfy Port obligations or to maintain required Revenues.

24.3.3 Lawful Compliance

Improvements, additions or purchases necessary to insure compliance with lawful orders or requirements of other authorities with jurisdiction over the Airport's operations, or that are required under the terms of federal or state grants to the Port, including without limitation administrative enforcement orders whether or not issued with the Port's consent. When resolving any enforcement matters, the Port shall use its best efforts to seek reasonable, non-discriminatory and cost effective settlement terms to the extent that such terms could impact Airline's compliance costs, obligations or operations on the Premises or at the Airport.

24.3.4 Settlements

Improvements, additions, purchases or damage payments for the purpose of settling lawsuits, satisfying judgments, or complying with orders against the Port by reason of its design, ownership, operation, maintenance, or use of the Airport. To the extent the Port is able to recoup all or some of its expenditures from insurance proceeds, such amounts shall be refunded to the appropriate Cost Center.

24.3.5 Emergency/Failure of Essential Equipment

Improvements of an emergency nature which, if not made, or commenced, would substantially impair the operation or safety of the Airport or the Airline, or which has already caused the closure of, or failure of, an important aspect of Airport or Air Carrier operations.

24.3.6 Hazardous Substance Release

Restoration or clean-up of Airport property due to any Hazardous Substance Release. To the extent the Port is able to recoup all or some of its expenditures from insurance proceeds, such amounts shall be refunded to the appropriate Cost Center. To the extent the Port is able to recoup all or some of its expenditures from insurance proceeds or from parties directly responsible for such Hazardous Substance Release, such amounts shall be refunded to the appropriate Cost Center.

24.3.7 Additional Space for New or Expanding Air Carrier

Capital Improvements that are required to make available Terminal space or related facilities for the expansion of an Air Carrier, or to make space or facilities available in the Terminal to accommodate a new entrant or expanding Air Carrier, provided before any construction is commenced, such Air Carrier shall enter into a binding commitment to lease that space for at least the remaining Term of the Signatory Agreement, and provided, further, that existing space or facilities are not otherwise available to accommodate the Air Carrier under Section 34 in a competitive, non-disruptive and otherwise satisfactory manner.

24.3.8 Improvements Requested by the Airline

Should the Airline request the Port to finance any Capital Improvement within its Exclusive or Preferential Space, the Port may use Airline Cost Center Revenues to do so, with repayment in full being amortized over a period not to exceed ten (10) years, except for loading bridges, which period shall not exceed fifteen (15) years, as more particularly described in Section 18.12.1. The interest rate shall be computed using the all in total interest cost associated with the financing instruments used to pay for the Capital Improvement. Debt Service Coverage will be included in the repayment. Before the Port agrees to finance any such Capital Improvement, the Airline will be required to enter into a reimbursement agreement and may also, in the Port's sole discretion, be required to supply a Security Deposit in the form of a letter of credit or cash, in an amount to be determined by the Port. The balance of any Security Deposit provided for this purpose will be applied to the sum reimbursed by Airline.

24.4 Allocation of Debt Service Coverage

The Port shall allocate one hundred percent (100%) of the Debt Service Coverage generated by Airline to fund Capital Improvements in the Airline Supported Areas or to fund Airline's allocated portions of Capital Improvements in the Indirect Cost Centers.

24.5 MII Disapproval Process for Capital Improvements

Except for projects described in this Section 24.5, changes to this Agreement regarding the Risk Mitigation Program pursuant to Section 17, and those exempted projects described in Section 24.3, any other Capital Improvements which the Port desires to make during the Term of this Agreement will be subject to the MII disapproval of seventy-five percent (75%) of eligible Signatory Airlines, as more particularly described in this Section and in each Section below. If a Signatory Airline has ceased service at the Airport, for whatever reason, at the time of an MII vote, then that Airline and its Terminal Rents, Landing Fees, and Enplaned Passengers shall not be counted. For purposes of this Section, a Signatory Airline will be deemed to have ceased service if that Signatory Airline has no Scheduled Service as of the date that the ballot is mailed by the Port. If an MII disapproval vote is required, ballots will be mailed to all Signatory Airlines entitled to vote, at least thirty (30) calendar days in advance of the deadline to vote. Any ballot not returned by the deadline

date specified in such notice will be counted as an approval of the Capital Improvement. The Airline's ballots may be sent via fax, certified mail, or e-mail to the Notice Address provided in Section 36.25. All ballots shall be deemed effective upon recipient's receipt of a signed hard copy.

24.5.1 MII Disapproval Process for Capital Improvements or Programs Impacting only the Terminal Cost Center

If the Capital Improvement will impact only the Terminal Cost Center, then only the Signatory Passenger Airlines will be notified, and the MII will be based on both the number of Signatory Passenger Airlines (more than seventy-five percent [75%]), and the total of Terminal Rents paid for Signatory Airline Exclusive, Preferential, and Shared Space.

24.5.2 MII Disapproval Process for Capital Improvements or Programs Impacting only the Airfield Cost Center

If the Capital Improvement will impact only the Airfield Cost Center, then both the Signatory Passenger Airlines and the Signatory Cargo Airlines will be notified. The MII will be based on both the number of Signatory Airlines (more than seventy-five percent [75%]), and more than seventy-five percent (75%) of the total Signatory Airline Landing Fees will be counted for the MII vote process set forth in Section 24.5. This measure will be calculated over the immediately preceding twelve (12) month period.

24.5.3 MII Disapproval Process for Capital Improvements or Programs Impacting Both Terminal and Airfield Cost Centers

If the Capital Improvement will or could impact both the Terminal Cost Center and the Airfield Cost Center, then both the Signatory Passenger Airlines and the Signatory Cargo Airlines will be notified and counted, along with their total Landing Fees and Terminal Rents. The MII will be based on both the number of Signatory Airlines (more than seventy-five percent [75%]), and more than seventy-five percent (75%) of the total of Terminal Rents paid for Signatory Airline Exclusive, Preferential, and Shared Space, Common Use Gates used in association with the IAF, and Signatory Airline Landing Fees for the MII vote process set forth in Section 24.5. This measure will be calculated over the immediately preceding twelve (12) month period.

24.5.4 No MII Disapproval Process for Capital Improvements or Programs valued under One Million Dollars

The Signatory Airlines shall not have the right to review or approve any Capital Improvement project that has a total estimated project budget of less than ONE MILLION DOLLARS AND NO CENTS (\$1,000,000.00). The Port shall implement these Capital Improvement projects in its sole discretion. It is understood and expressly agreed that the Port will not separate or break down any Capital Improvement project into distinct component parts for the sole purpose of avoiding a required vote by the Signatory Airlines. Should a project exempt from the MII disapproval process due to the budget threshold exceed the threshold at any time during construction due to a cost increase resulting from a cause within the Port's control, the MII disapproval process shall be utilized. If the project is disapproved, all costs in excess of the threshold shall be paid with sources that do not impact the Airline rate base. The Port shall present a semi-annual project report at regularly scheduled AAAC meetings on those Capital Improvement projects valued at under ONE MILLION DOLLARS AND NO CENTS (\$1,000,000.00) commenced during the prior Fiscal Year.

24.6 Disapproval of a Capital Improvement

In the event of an MII disapproval of a Capital Improvement, the Port shall have the option to convene a meeting with the AAAC. Unless the Port extends the time for holding the meeting, it shall be held within sixty (60) calendar days following the date of the disapproval, at a mutually convenient time and place. At said meeting, the Port may respond to questions raised during the meeting, and may ask that the disapproval of a proposed Capital Improvement be withdrawn or that another approval vote be taken. If an MII of impacted Signatory Airlines agree, in writing, at any time during or after the meeting, to withdraw the disapproval, the Port may proceed with the Capital Improvement. Any project disapproved by a second vote cannot be submitted for an additional vote within ninety (90) calendar days from the date of the second vote or any other subsequent votes.

24.6.1 Capital Improvement Not Impacting Airline Supported Area Rents

In the event a Capital Improvement is not approved by the Signatory Airlines, the Port may make Capital Expenditures in the Terminal Cost Center or the Airfield Cost Center for which all costs to construct and operate the Capital Improvement are paid or financed from funds lawfully available to the Port, including, but not limited to, coverage, PFC dollars, grant funds, the Port Cost Center or non-Airport Fund Revenues. Such Capital Improvements are not to be included in the determination of Rents applicable to the Airline Supported Area.

25. MII APPROVAL PROCESS

25.1 Signatory Agreement Amendment Process

Any amendment to the Signatory Agreement shall require an approval MII vote of at least two-thirds ($\frac{2}{3}$) of all Signatory Airlines if the amendment will have a materially adverse financial impact on any of the Signatory Airlines. For purposes of this Section, a Signatory Airline will be deemed to have ceased service if that Signatory Airline has no Scheduled Service as of the date that the ballot is mailed by the Port. If an MII approval vote is required, ballots will be mailed to all Signatory Airlines entitled to vote, except those Airlines who ceased service as described above, at least thirty (30) calendar days in advance of the deadline to vote. Any ballot not returned by the deadline date specified in such notice will be counted as an approval of the amendment. The Airline's ballots may be sent to the Airline by fax or certified mail to the Notice Address provided in Section 36.25, and may be returned to the Port via fax or certified mail to the Notice Address set forth in Section 36.25. The process for receiving Signatory Airline approval to amend the Signatory Agreement shall be as follows:

25.1.1 MII Approval Process for Amendments Impacting Only the Terminal Cost Center

If the amendment will impact only the Terminal Cost Center, then only the Signatory Passenger Airlines will be notified, and the MII will be based on approval by more than sixty-six percent (66%) of the total number of Signatory Passenger Airlines, or approval by a group of Signatory Passenger Airlines whose combined Terminal Rents paid for Signatory Airline Exclusive, Preferential and Shared Space, and Common Use Gates used in association with the IAF total more than sixty-six percent (66%) of the total Terminal Rents paid for Signatory Airline Exclusive, Preferential and Shared Space, and Common Use Gates used in association with the IAF. This measure will be calculated over the immediately preceding twelve (12) month period.

25.1.2 MII Approval Process for Amendments Impacting Only the Airfield Cost Center

If the amendment will impact only the Airfield Cost Center, then both the Signatory Passenger Airlines and the Signatory Cargo Airlines will be notified. The MII will be based on approval by more than sixty-six percent (66%) of Signatory Airlines or approval by those Signatory Airlines whose combined landed weights account for more than sixty-six percent (66%) of the total Signatory Airline landed weight. This measure will be calculated over the immediately preceding twelve (12) month period.

25.1.3 MII Approval Process for Amendments Impacting Both Terminal and Airfield Cost Centers

If the amendment will or could impact both the Terminal Cost Center and the Airfield Cost Center, then both the Signatory Passenger Airlines and the Signatory Cargo Airlines will be notified and counted, along with their total Landing Fees and Terminal Rents. The MII will be based on approval by more than sixty-six percent (66%) of the number of Signatory Airlines or approval by those Signatory Airlines whose combined Terminal Rents paid for Signatory Airline Exclusive, Preferential, and Shared Space, Common Use Gates used in association with the IAF and Signatory Airline Landing Fees total more than sixty-six percent (66%) of the total Terminal Rents paid for Signatory Airline Exclusive, Preferential, and Shared Space; Common Use Gates used in association with the IAF; and Signatory Airline Landing Fees. This measure will be calculated over the immediately preceding twelve (12) month period.

25.2 Rejection of Signatory Agreement Amendment

In the event of an MII rejection of a Signatory Agreement amendment, the Port shall have the option to convene a meeting with the AAAC. Unless the Port extends the time for holding the meeting, it shall be held within sixty (60) calendar days following the date of the disapproval, at a mutually convenient time and place. At said meeting, the Port may respond to questions raised during the meeting, and may ask that the disapproval of a proposed amendment be withdrawn or that another approval vote be taken. If an MII agrees, in writing, at any time during or after the meeting, to approve the amendment, and such approval causes such amendment to meet the approval criteria set forth in Section 25.1, the Port may proceed with the amendment.

26. DAMAGE TO PREMISES OR ADJACENT PROPERTIES

26.1 Minor Damage to Airport Property

If any part of the Premises, or adjacent Airport facilities are partially damaged by fire or other casualty, but such damage does not render Premises unusable by Airline, as reasonably determined by the Port, the same shall be repaired to a usable condition with due diligence by the Port, as provided in Section 26.6, and Rent will not be abated.

26.2 Substantial Damage

If any part of the Premises, or adjacent Airport facilities directly and substantially affecting the Airline's use of the Premises, shall be so extensively damaged by fire or other casualty, as to render all or a substantial portion of the Premises unusable by Airline until repaired, but capable of being repaired, as reasonably determined by the Port, the same shall be repaired to a usable condition with due diligence by the Port, as provided in Section 26.6. In such case, the Rent payable for that substantially damaged portion of the Premises shall be paid up to the time of such damage and shall

thereafter be proportionately abated. Such abatement in Rent will continue until such time as the damaged Premises is restored to allow for Airline's use. If the Airline desires replacement facilities in lieu of Rent abatement, the Port shall attempt to provide comparable alternate facilities, at a Rental rate not to exceed that provided in this Agreement for comparable space.

26.3 Total Damage

If any part of the Premises, or adjacent Airport facilities, directly and substantially affecting the use of the Premises shall be damaged by fire or other casualty, and is so extensively damaged as to render any portion of said Premises incapable of being repaired, as reasonably determined by the Port, or the Port determines it is not in the financial best interest of the Airport to repair, then the Port shall notify Airline within ninety (90) calendar days after the date of such damage of its decision not to replace or reconstruct such Premises. The Rent payable with respect to damaged Premises shall be paid up to the time of such damage and thereafter shall cease until such time as comparable replacement space shall be made available for use by Airline.

26.4 Temporary Replacement Space

In the event the Port elects to repair or reconstruct the damaged Premises, the Port shall attempt to provide comparable alternate facilities to continue Airline's operation while repair or reconstruction is being completed, at a Rental rate not to exceed that provided in this Agreement for comparable space. However, if such damaged space shall not have been replaced or reconstructed, or the Port has not begun diligently pursuing such replacement or reconstruction within ninety (90) calendar days after the date of such damage or destruction, Airline shall have the right, upon giving the Port thirty (30) calendar days advance written notice, to delete the affected Premises from this Agreement, but this Agreement shall remain in effect with respect to the remainder of said Premises.

26.5 Decision Not to Reconstruct

In the event the Port notifies Airline that it elects not to repair or reconstruct the damaged Premises, the Port shall consult with Airline on ways to provide Airline with comparable and adequate replacement space for its operations and will delete unrepairable space from Airline's leasehold space. This Agreement shall remain in full force and effect with respect to the remainder of said Premises.

26.6 Scope of Port Restoration of Premises

The Port's obligations to repair or reconstruct the damaged Premises under the provisions of Section 26 shall be limited to using due diligence and reasonable efforts to restore the affected Premises to substantially the same condition that existed prior to any such damage. In the event of inadequate insurance, Airline Cost Center funds will be used to make the repairs, in accordance with Section 24.3.2. Airline agrees that if the Port elects to repair or reconstruct the damaged Premises, as provided in Section 26, then Airline shall proceed with reasonable diligence, at Airline's sole cost and expense to repair, reconstruct, or replace its Personal Property, including signs, fixtures, furnishings, equipment and other items provided or installed by Airline in or about the Premises in a manner and in a condition at least equal to that which existed prior to said damage or destruction.

26.7 Airline Reconstruction of Premises

In lieu of the Port repairing or reconstructing the damaged Premises, as provided in Section 26.6, the Port and the Airline may agree that the Airline will perform such work. The Airline shall not, however, be performing such work as an agent or contractor of the Port. Any such

work by the Airline must be done in accordance with the requirements of Section 10. The Port shall reimburse the Airline for the cost of such work performed by the Airline that was otherwise the obligation of the Port, if prior to performing such work, the Port and the Airline agree that such work is the obligation of the Port to perform and enter into a written reimbursement agreement.

26.8 Damage From Airline Negligence

Notwithstanding any provisions of Section 26, in the event that due to the negligence of the Airline, its agents, or employees, or those under its control, the Premises shall be damaged or destroyed by fire, casualty, Hazardous Substance Release, or otherwise, there shall be no abatement of Rent during the restoration or replacement of the impacted Premises, and the Airline shall have no option to delete the impacted Premises from this Agreement. To the extent that the costs of repairs shall exceed the amount of any insurance proceeds payable to the Port by reason of such damage or destruction, the Airline shall pay the amount of such additional costs to the Port.

27. INDEMNIFICATION AND INSURANCE

27.1 Indemnification

To the full extent permitted by applicable law, and subject to the provision for waiver of subrogation set forth in Section 27.6, the Airline shall indemnify, defend and hold harmless the Port, its commissioners, directors, officers and employees (collectively, the "Indemnified Parties"), individually or collectively, from and against any and all claims, actions, damages, loss and liability, including environmental claims and costs, together with all reasonable expenses incidental to the investigation and defense thereof claimed by the Port or by any other party by reason of injury or damage to persons or property to the extent arising from an act, omission or any negligence of the Airline, its officers or employees, subtenants, contractors, subcontractors, or by anyone acting under the Airline's direct control, arising out of this Agreement, except to the extent arising from the negligence or willful misconduct of the Indemnified Parties, or except to the extent arising from any action or failure to act by the Airline pursuant to a specific written direction of the Indemnified Parties. The Airline shall also indemnify, defend and hold harmless, the Indemnified Parties, individually or collectively, from and against any and all claims, actions, damages, loss and liability, together with all reasonable expenses incidental to the investigation and defense thereof, in any way arising from or based upon the violation of any federal, state, or municipal laws, statutes, ordinances, or regulations, including applicable Environmental Laws, by the Airline, its officers or employees, subtenants, contractors, subcontractors or by anyone under the Airline's direct control arising out of this Agreement, except to the extent arising from the negligence or the willful misconduct of the Indemnified Parties, or except to the extent arising from any action or failure to act by the Airline pursuant to a specific written direction of the Indemnified Parties. The Port shall give the Airline prompt and reasonable notice of any claims or actions, and the Airline shall have the right to investigate and compromise said claims or actions. The provisions of this Section shall survive the termination of this Agreement.

27.2 Airline Insurance

Airline shall maintain commercial insurance, self-insurance, or a combination thereof as set forth below to cover its operations and indemnity obligations under this Agreement. Insurance types and amounts stated below are minimum requirements only and shall not limit Airline's liability or indemnity obligations under the Agreement. Airline shall continuously maintain the following policies of insurance, without interruption, throughout the Term of this Agreement:

27.2.1 Aviation and Premises Operations Liability Insurance

Airline shall maintain aviation and premises operations liability insurance for the protection of Airline and the Port, its commissioners, directors, officers, agents, and employees for claims arising out of Airline's operation in connection with this Agreement. Such insurance shall include coverage for bodily injury, death, property damage, including loss of use thereof, personal injury, contractual liability, fire legal and products and completed operations.

27.2.1.1 Coverage shall be written on an occurrence form with a single limit in no less than the following amounts:

27.2.1.2 Airlines classified as a "Regional/Commuter Airline" by the FAA shall carry insurance in the amount of ONE HUNDRED MILLION DOLLARS AND NO CENTS (\$100,000,000.00) each occurrence and in the annual aggregate, to the extent an annual aggregate is typical in the market, with respect to personal injury and products and completed operations. Personal injury with respect to non-passengers shall be in an amount of no less than TWENTY-FIVE MILLION DOLLARS AND NO CENTS (\$25,000,000.00) and in the annual aggregate. Airlines not classified as regional commuters shall carry insurance in the amount of TWO HUNDRED MILLION DOLLARS AND NO CENTS (\$200,000,000.00) each occurrence and in the annual aggregate, to the extent an annual aggregate is typical in the market, with respect to personal injury and products and completed operations. Personal injury with respect to non-passengers shall be in an amount of no less than TWENTY-FIVE MILLION DOLLARS AND NO CENTS (\$25,000,000.00) and in the annual aggregate.

27.2.1.3 Such insurance shall name the Port, its commissioners, directors, officers, agents and employees as additional insureds to the extent of the Airline's insurable indemnity obligations hereunder, with the stipulation that this insurance, as to the interest of the Port only, shall not be invalidated by any act, or omission by the Airline. The coverage shall be primary coverage and any other insurance carried by the Port is excess.

27.2.2 Automobile Liability Insurance

The Airline shall maintain automobile liability insurance in the amount of FIVE MILLION DOLLARS AND NO CENTS (\$5,000,000.00) each occurrence for the protection of the Airline and the Port, its commissioners, directors, officers, agents, and employees. Such insurance shall include coverage for claims arising out of the Airline's use of any owned or non owned automobile in connection with this Agreement.

27.2.2.1 The Airline may self-insure the automobile liability if the Airline has been approved as self-insured under Oregon law and complies with all state requirements.

27.2.2.2 If the Airline violates any aspect of its responsibilities as a self-insurer, the Port reserves the right to, and may, in its sole discretion, immediately rescind acceptance of such self insurance and the Airline will be required to purchase commercial automobile insurance and provide the Port proof of insurance within thirty (30) calendar days.

27.2.3 Workers' Compensation Insurance

The Airline shall also maintain in force workers' compensation insurance, to the extent required by Oregon law, and coverage for "Employer's Liability" in the minimum amount of ONE MILLION DOLLARS AND NO CENTS (\$1,000,000.00).

27.2.4 Property Insurance

The Airline shall provide property insurance, or be allowed to self-insure, in an amount adequate to repair or replace its improvements and betterments in the Premises and other Port facilities used by the Airline on a temporary basis, and the Airline's Personal Property anywhere on the Airport. Any self-insurance shall conform at least to the terms and conditions of standard commercial property "all-risk" insurance.

27.2.5 Review of Insurance Coverage

The aforesaid types and amounts of insurance shall be reviewed from time to time by the Port and may be adjusted by the Port, without formal amendment of this Agreement, if the Port reasonably determines such adjustments are necessary to protect the Port's interests. If such adjustment is necessary, the Port shall, to the extent possible, meet with the AAAC and discuss the proposed adjustments. When an adjustment is made, the Port shall notify the Airline of the adjusted requirements by mailing the Airline a copy of the revision in the manner provided in Section 36.25. Unless sixty-six percent (66%) of the Signatory Airlines object within thirty (30) calendar days of the date of said notice, Airline shall provide a certificate(s) of insurance in compliance with the notice within forty-five (45) calendar days of the date of said notice. The certificate(s) shall comply with the provisions of Section 27.2.6. If the Port receives objections from sixty-six percent (66%) of the Signatory Airlines within said thirty (30) calendar days, the Port shall so notify all Signatory Airlines; in such event, the adjustments shall not be effective, but the Airline Cost Center shall remain responsible to cure any losses due to lack of coverage.

27.2.6 Certificate of Insurance

Airline shall furnish the Port, no later than thirty (30) calendar days following the execution of this Agreement, or notification of a revision in insurance requirements, a certificate(s) of insurance as evidence that the required amounts and types of such insurance are in force, including a copy of the additional insured requirement as stated in Section 27.2.1.3. Said policies shall be in a form, content and for a term generally used by Air Carriers similar to Airline in their routine operations and shall provide for thirty (30) calendar days written notice to the Port prior to the cancellation of, or any material change in, such policies.

27.2.7 Other Forms of Insurance

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

27.2.8 Cancellation or Unauthorized Policy Changes

In the event of cancellation of any required insurance at any time during the Term of this Agreement, or any change not reasonably acceptable to the Port, 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.

27.2.9 No Representation of Adequacy

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

27.2.10 Port's Right to Request Information from Insurance Company

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

27.2.11 Primary Coverage

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

27.2.12 Excess Coverage

To the extent that the Airline relies on any excess policy of insurance to satisfy any requirement of this Section, any such policy shall be no less broad than the underlying policy, and shall have a term at least equal to the time period covered by the underlying policy and shall at all times meet the minimum coverage requirements, and include a drop-down provision.

27.3 Port Insurance

The Port shall, during the Term of this Agreement, procure and maintain liability, fire, and extended coverage insurance for the Airport, Terminal, and other facilities at the Airport, as required by the Ordinance, as amended, and as may be amended from time to time. War and Terrorism Liability insurance shall be purchased only if the Port determines that it is available for a reasonable premium and provides reasonable coverage in the reasonable discretion of the Port, after consultation with the Airline.

27.4 Actions that Impact Coverage

The Airline shall not, within its reasonable control, do, or permit to be done, anything either by act, or failure to act, that shall cause the cancellation or violate the provisions of any policy of insurance for the Airport, or any part thereof, or that shall cause a hazardous condition so as to increase the risks normally attendant upon operations permitted by this Agreement. If such Airline act, or failure to act, shall cause cancellation of any policy, then the Airline shall immediately, upon notification by the Port, take such action as is necessary to cause reinstatement of said insurance. If any incident occurs which causes the premium to be increased or insurance cancelled that cannot be attributed to a specific responsible Air Carrier, then the premium difference and the difference in cost between the lost insurance and replacement insurance, if any, shall be paid from the Airline Cost Center.

27.5 Airline's Risk

Airline shall be responsible for obtaining any insurance it deems necessary to cover its own risks, including, without limitation: (a) business interruption covering loss of income, extra expenses, and consequential loss or damages of any type or kind; (b) personal property; (c) aircraft hull and machinery coverage; and/or (d) automobile physical damage and/or theft, if applicable. In no event shall the Port be liable for any; (i) business interruption or any other related or consequential loss sustained by Airline; (ii) damage to, or loss of, Airline's property; (iii) damage to, or loss of, an aircraft; or (iv) damage to, or loss of an automobile, whether or not such loss is insured, except to the extent caused by the Port's own negligence or willful misconduct.

27.6 Waiver of Subrogation

The Port and the Airline hereby mutually waive any right of action that each party and/or its insurance carrier(s) may have against the other party for any loss from perils which can be insured against under the standard form commercial property, aircraft hull and machinery, or fire insurance contract with extended perils coverage endorsement generally available in Oregon at the time the loss occurs, whether or not the party incurring the loss has actually obtained such insurance. If a party's applicable insurance policies do not allow the insured to waive the insurer's rights of recovery prior to a loss, it shall be endorsed to allow the waivers of subrogation required by this Section.

28. SECURITY DEPOSIT

28.1 Security Deposit Exemption

At the request of the Signatory Airlines, the Port has agreed that no Security Deposit will be required from a Signatory Airline who meets all of the following criteria as of the Effective Date: (a) the Signatory Airline is in good standing without any Uncured Event of Default or violation of this Agreement, or the immediately preceding Signatory Agreement, which, with the passage of time could become an Event of Default; (b) who is not in bankruptcy; and (c) has been serving the Airport as of the Commencement Date for a minimum of two (2) years as of the Effective Date. Additionally, no security for payment shall be required of a Signatory Airline if it has not provided regular passenger service to and from the Airport for a period of twenty-four (24) months prior to the Effective Date of this Agreement (or the date of any assignment permitted by Section 33.1), but the Signatory 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 for said twenty-four (24) months; and (ii) Airline has not been delinquent in payment of Rents at any such other airports for at least twenty-four (24) consecutive months. It is the burden of Airline to prove to the Port's reasonable satisfaction that it is not required to provide a Security Deposit pursuant to this Section. The Port agreed to this request based only on the clear understanding that if a Signatory Airline who does not have a Security Deposit defaults, all other Signatory Airlines, and NOT the Port, will be responsible to cover or pay any amounts associated with any such Default.

28.2 Security Deposit Required

To the greatest extent allowed by law, a Security Deposit will be required under the following circumstances.

28.2.1 New Operations

If Airline has operated at the Airport for less than two (2) full years of the Commencement Date of this Agreement, and Airline cannot obtain an exemption as set forth in Section 28.1, then Airline shall obtain and deliver to the Port, on or before the Effective Date of this Agreement, a Security Deposit, in accordance with Section 28.3, to secure Airline's full performance of all obligations under this Agreement. If, after procuring and maintaining the Security Deposit required by Section 28.2 for a period of twenty-four (24) consecutive months, during which period Airline has provided regular passenger service to and from the Airport, Airline commits no Event of Default under Section 31.1(a), then the Port shall return the Security Deposit to Airline, and Airline will be exempt from posting a Security Deposit, unless it commits an Event of Default, as described below.

28.2.2 Events of Default

If, at any time during this Agreement, Airline shall commit a monetary Event of Default that is not fully cured within ten (10) calendar days of receipt of written notice of the Event of Default from the Port, the Port shall have the right, by written notice to Airline, to immediately impose, or reimpose, the Security Deposit requirements of Section 28.2. In such event, Airline shall provide the Port with the required Security Deposit and shall thereafter maintain such Security Deposit for the remainder of the Term of this Agreement. If, at any time during this Agreement, Airline shall commit any other Event of Default and fails to timely begin cure, or diligently pursue cure, within ten (10) calendar days of receipt of written notice of the Event of Default from the Port, the Port shall have the right, by written notice to Airline, to immediately impose, or reimpose, the Security Deposit requirements of Section 28.2. In such event, Airline shall provide the Port with the required Security Deposit and shall thereafter 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 by law. The Security Deposit must be posted within ten (10) calendar days of receipt of such written notice.

28.2.3 Reimbursement Agreement

If Airline requests the Port to make Capital Improvements on its behalf, pursuant to Section 24.3.8, Airline will be required to provide a Security Deposit, as provided in a reimbursement agreement which must be signed by Airline before any Capital Improvements are made.

28.3 Acceptable Forms of Security Deposit

When required by Section 28.2 to provide a Security Deposit, Airline shall comply with any one of the following two (2) options on or before the Effective Date of this Agreement, or the Port's notice pursuant to Section 36.25:

28.3.1 Letter of Credit

Deliver to the Port an irrevocable stand-by letter of credit, in favor of the Port, in a form and with drawing instructions acceptable to the Port, drawn on a bank acceptable to the Port.

28.3.2 Cash

Post with the Port cash in the amount of the Security Deposit. Cash shall not be considered to be held in trust and may be commingled with any other Port accounts. A cash Security Deposit of ONE MILLION DOLLARS AND NO CENTS (\$1,000,000.00) or more will be placed in an interest bearing account, with such interest accruing to the benefit of that account and will be eligible to be paid to the posting Signatory Passenger Airline if that Security Deposit is later refunded, in whole or in part, to that posting Signatory Passenger Airline.

28.4 Amount of Security Deposit

The amount of Security Deposit required by Section 28.2.1 and Section 28.2.2 shall be three (3) months average Terminal Rents and Landing Fees, as reasonably estimated by the Port. The Security Deposit required by Section 28.2.3 will be based on the amount of the reimbursement agreement.

29. ENVIRONMENTAL COVENANTS

29.1 Environmental Compliance

Airline shall manage and conduct all of its activities on or relating to the Airport or the Premises: (a) in compliance with applicable Environmental Laws and the environmental provisions of this Agreement; (b) in cooperation with the Port in the Port's efforts to comply with applicable Environmental Laws; and (c) in adherence with Best Management Practices applicable to Airline's use of the Airport and the Premises.

29.2 Duty to Notify

Airline shall promptly notify the Port in writing upon becoming aware of: (a) a notice of violation or alleged violation of any applicable Environmental Laws related to Airline's operations or occupancy of the Airport or the Premises; and (b) any Hazardous Substance Release by Airline in, on or from the Airport, or the Premises, except for a de minimis Hazardous Substance Release that is promptly and fully cleaned up.

29.3 Duty to Share Information

Airline shall maintain, on the Premises, copies of any permits, authorizations, approvals and notifications issued under applicable Environmental Laws by any governmental agencies related to Airline's operations or occupancy of the Airport or the Premises. Airline shall promptly provide the Port with copies of any permits, authorizations, approvals and written notifications issued under applicable Environmental Laws by any governmental agencies related to Airline's operations or occupancy of the Airport or the Premises. Airline will also provide the Port with a description of any Environmental Management System (EMS), as applicable, at the Airport.

29.4 Storm Water Management

Airline is authorized to discharge storm water associated with its operations or occupancy at the Airport or the Premises into the Port-owned Municipal Separate Storm Sewer System ("System") subject to the following conditions: (a) Airline must be a co-permittee with the Port on, and comply with, the Port's 1200-COLS National Pollution Discharge Elimination System General Storm Water Discharge Permit for the Airport or its successor permit ("Stormwater Permit"); (b) Airline must develop, implement, and provide the Port a copy of a Storm Water Pollution Control Plan ("SWPCP"), which is based on the Port's SWPCP as **Exhibit F**, and which is consistent with the Port's SWPCP, or Airline must use the Port's SWPCP after Airline first demonstrates to the Port's reasonable satisfaction how it will comply with the requirements of the Port's SWPCP applicable to Airline's operations or occupancy of the Airport or the Premises, including completing and returning within thirty (30) calendar days the Port's questionnaire detailing Airline's operations, and if Airline fails reasonably to satisfy the Port or fails timely to complete and return such questionnaire, then Airline must develop, implement and provide the Port with a copy of its own SWPCP; (c) Airline must comply with all applicable Environmental Laws; and (d) Airline will comply with ordinances or PDX Rules that are now in effect or promulgated in the future related to use of the System. The System does not include the sanitary system. If Airline undertakes sampling of storm water on the Airport associated with Airline's operations or occupancy at the Airport or the Premises, Airline shall timely provide the Port with reasonable advance notice, copies of the sampling results, chain-of-custody documents, and quality analysis/quality control information. The Port agrees to work in coordination with the Airlines and use its best efforts to seek reasonable and cost effective terms and conditions in any relevant Stormwater Permit and in any related Port requirements.

29.5 Deicing and Anti-icing Discharge Management

Airline may only discharge deicing or anti-icing materials and wastes associated with its operations or occupancy at the Airport subject to the following conditions: (a) Airline must be a co-permittee on the Port's deicing and anti-icing permit issued by Oregon Department of Environmental Quality, Permit 101647, or its successor permit; and (b) Airline shall work cooperatively with the Port to develop and implement any required anti-icing and deicing Best Management Practices. The Port will report any permit compliance issues arising under this Section at the next AAAC meeting, following Port notification of any compliance permit issues.

29.6 Hazardous Substance Release

Airline agrees to be responsible for any Hazardous Substance Release on the Airport, on or into adjacent waterways or groundwater or on the Premises or other rented space caused by or resulting from Airline's occupancy or operations thereon, and to promptly and diligently pursue completion of any required remediation and restoration of such release in accordance with applicable Environmental Laws. The Port may, in its sole discretion, require Airline to pursue completion of any remediation and restoration of such Hazardous Substance Release under the formal oversight of the Oregon Department of Environmental Quality ("DEQ") under its Voluntary Clean-up Program or its successor program. Should the Airline fail to promptly and diligently pursue the completion in accordance with applicable Environmental Laws, the Port or its designee, after providing Airline with written notice, may perform the work and recover associated costs from the Airlines and pursue the remedies set forth at Section 31.2; provided, however, that Airline has not commenced work and diligently pursued completion in accordance with the timeframe for remediation required by applicable Environmental Laws, or in the absence of such timeframe, has not commenced work and diligently pursued completion within thirty (30) calendar days of such written notice.

29.7 Air Quality Improvements

Airline acknowledges that in order to protect existing Airport operations, to improve air quality in the region, to meet requirements associated with the expansion of the Airport, and to otherwise comply with federal and state air quality laws, the Port will be required to implement certain changes to operating practices to address any newly regulated air pollutant or contaminant in accordance with applicable Environmental Laws, including without limitation those related to climate change and indoor air quality. In addition, the Port may adopt new Best Management Practices that it will request Airline to voluntarily comply with, such as Airline's conversion of ground service equipment and support vehicles to alternative fuels and use of 400 Hz power. The Port agrees to consult with Airline during the development of such Best Management Practices to ensure that such efforts are reasonably achievable and cost effective. Airline agrees to utilize the 400 Hz power already provided on the jet bridge. Airline will cooperate with the Airport to identify cost-effective ways to minimize contributions to climate change.

29.8 Noise Mitigation

The Airline acknowledges that aircraft noise is of significant concern to the community, particularly residents located in close proximity to the Airport or under flight paths. The Airline agrees to cooperate with the Port in finding reasonable solutions or alternatives to mitigate noise, whenever reasonably possible, and to the extent allowed by law.

29.9 Asbestos and Lead Paint

Within ninety (90) days following the Effective Date and with respect to changes in the Premises, the Port will provide Airline with the Port's most recent survey data related to asbestos found in certain areas of the Airport. Management of such materials shall be the responsibility of the Port, pursuant to **Exhibit D**, and Airline shall not knowingly disturb or otherwise impact any such material without the prior written permission of the Port. Airline acknowledges that if any asbestos or lead-based paint is present in its Premises, and Airline disturbs such material, Airline will be responsible for lawfully handling it. Lead-based paint is not inventoried by the Airport and it is the responsibility of Airline to do its own investigation concerning lead-based paint and, if found, ensure compliance with applicable laws and coordinate with the Port in its abatement or removal, in accordance with **Exhibit D**.

29.10 Safety Requirements

The parties shall comply with all applicable state and federal safety rules and regulations. The Airline shall notify the Port's Safety Department staff prior to extending Occupational Safety and Health Administration ("OSHA") inspection into shared work areas such as baggage conveyors, Make-up units, etc. Similarly, the Port shall notify Airline prior to extending an OSHA inspection into the Premises. The parties each agree to promptly correct any safety defects caused by its own operations at the Premises and/or associated with equipment owned and/or required to be maintained (under this Agreement) by that respective party at the Premises. To the extent correction of a defect requires the involvement of other tenants at the Airport, the parties agree to work cooperatively in engaging the other tenants to address the defects.

30. DISCRIMINATION

30.1 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 of 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 the 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. Therefore, Airline, in its operation at and use of Airport, covenants that: (a) 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; (b) in the construction of any improvements on, over, or under such land and the furnishings 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 (c) it shall use the Airport and the Premises in compliance with all other requirements imposed by or pursuant to 49 CFR Part 21, Nondiscrimination in Federal-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. Airline further agrees to promptly 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.

30.2 Affirmative Action

Airline assures that it will undertake an affirmative action program if required by 14 CFR 152, Subpart E, to ensure that no person shall on the grounds of race, creed, color, or national origin be excluded from participating in any employment activities covered in 14 CFR 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 further assures that it will require that its covered sub-organizations, if required by 14 CFR 152, Subpart E, make the same required assurances.

30.3 Contractor Compliance

Airline may contract with a third party to provide services in support of their operation and in accordance with Section 4.1 at the Airport or upon the Premises; provided, however, that Airline shall require any such contractor to enter into an operating agreement or permit acceptable to the Port. A material provision of any such agreement with respect to operations in the Terminal is that the third party contractor lease sufficient operational space to accommodate all employee activities, including without limitation break rooms, locker rooms, cafeterias, storage and operations within the contractor's leased premises. Furthermore, any such contractor will comply with all fire code and insurance requirements applicable to the service provided and the space leased.

30.4 Default in Compliance

The breach of any of the above nondiscrimination covenants shall constitute an Event of Default by Airline, and the Port shall have the right to terminate this Agreement, subject to Section 31.1(b), and may reenter and repossess the Premises and the facilities thereon and hold the same as if this Agreement had never been made or issued. The right granted to the Port by the foregoing sentence shall not be effective until applicable procedures of Title 49, Code of Federal Regulations, Part 21 are followed and completed, including exercise or expiration of appeal rights.

31. DEFAULT AND TERMINATION

31.1 Events of Default by Airline

Each of the following events shall constitute an "Event of Default" by Airline:

- (a) Airline fails to pay any Rent, of whatever form, when due, and such default continues for a period of ten (10) calendar days;
- (b) Airline fails to perform or observe any material term, covenant or condition of this Agreement, other than those set forth in Section 31.1(a);
- (c) except to the extent that Airline is protected by the provisions of the bankruptcy code, Airline becomes insolvent, takes the benefit of any present or future insolvency statute, makes a general assignment for the benefit of creditors, files a voluntary petition in bankruptcy or a petition seeking a 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 consents to the appointment of a receiver, trustee, or liquidator of all or substantially all of its property;
- (d) except to the extent that Airline is protected by the provisions of the bankruptcy code, an order for relief is entered at the request of Airline, or any of its creditors, under the federal bankruptcy or reorganization laws, or under any law or statute of the United States, or any state thereof;

(e) except to the extent that Airline is protected by the provisions of the bankruptcy code, an involuntary petition under any part of the federal bankruptcy laws or an action under any present or future insolvency law or statute is filed against Airline;

(f) by or pursuant to or under the authority of any legislative act, resolution or rule, or any order or decree of any court or governmental board or agency, an officer, receiver, trustee, or liquidator takes possession or control of all or substantially all of the property of Airline;

(g) Airline becomes a corporation in dissolution, or voluntarily or involuntarily forfeits its corporate charter, other than through merger with a successor corporation, as permitted in Section 31.1; and

(h) the rights of Airline under this Agreement are transferred to, pass to, or devolve upon, by operation of law or otherwise, any other person, firm, corporation, or other entity, as a result of any bankruptcy, insolvency, trusteeship, liquidation, or other proceedings or occurrence described in this Section 31.1 (c) through (g).

31.2 Uncured Events of Default

An Event of Default shall become an Uncured Event of Default as follows:

(a) for any Rent not paid when due, if such Event of Default continues for a period of thirty (30) calendar days from the postmarked date of written notice of the Event of Default sent by the Port;

(b) for any other Event of Default, if not cured within thirty (30) calendar days of the postmarked date of written notice of the Event of Default by the Port, or such failure continues for thirty (30) calendar days after such receipt, or if by its nature such Event of Default by Airline cannot be cured within such thirty (30) day period, Airline fails to commence to cure or remove such Event of Default by Airline within said thirty (30) calendar days and to cure or remove the same as promptly as reasonably possible thereafter, using all reasonable due diligence;

(c) except to the extent that Airline is protected by the provisions of the bankruptcy code, for any petition in bankruptcy not dismissed within sixty (60) calendar days after the filing date; and

(d) after the occurrence of three (3) or more separate Events of Default specified in Section 31.1 by Airline during any Fiscal Year, regardless of whether those Events of Defaults were cured by the Airline.

31.3 Remedies for Uncured Event of Default by Airline

Upon the occurrence of an Uncured Event of Default by Airline, as set forth in Section 31.2, Airline shall remain liable to the Port for all Rents due hereunder for the Term of this Agreement and for all breach(es) of any covenant or agreement herein contained. In addition to, and not in the alternative to, all rights available at law or in equity for breach of contract, all of the following remedies shall be available to the Port and shall not be exclusive to one another:

(a) the Port may immediately terminate this Agreement and, to the greatest extent allowed by law, prohibit Airline from operating at the Airport. In the event of termination based on any Uncured Event of Default 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 or Airport occupied by it under this Agreement. Airline shall have no claim of any kind whatsoever against the Port by reason of such termination or by reason of any act by the Port;

(b) the Port may, prior to exercising its other legal remedies, allow Airline to continue to operate, but collect liquidated damages from Airline in the amount of ONE THOUSAND DOLLARS AND NO CENTS (\$1,000.00) per month for an Uncured Event of Default. The Airline hereby agrees that said amount represents a reasonable amount of damages to the Port and to the Airline Cost Center for delaying its right to terminate this Agreement or exercise any other remedies under this Agreement;

(c) the Port may elect to sue for money damages; and/or

(d) the Port may elect to re-enter all or part of the Premises and may remove all Airline personnel and property from said Premises. Upon any such removal, Airline property may be stored in a public warehouse, or elsewhere, at the cost of, and for the account of Airline. Should the Port elect to re-enter, as herein provided, or should it take possession pursuant to legal proceedings or pursuant to any notice provided by law, it may, at any time subsequent to an Event of Default by Airline, either terminate this Agreement or relet all or part of the Premises and any improvements thereon, or any part thereof for such term, at such Rents, and upon such other terms and conditions as the Port, in its sole discretion, may deem advisable, with the right to make alterations, repairs, or improvements on said Premises. No re-entry or reletting of the Premises by the Port shall be construed as an election on the Port's part to terminate this Agreement, unless a written notice of such intention is given to Airline. In reletting the Premises, the Port shall be obligated only to the extent required by Oregon law to mitigate damages.

31.4 Rent Revenues Due and Owing

Airline shall remain liable and promptly pay all Rents accruing hereunder following termination of this Agreement through the expiration of the Term of this Agreement, subject to Section 31.5.

31.5 Proceeds for Reletting

In the event that the Port relets the Premises, Rents received by the Port from such reletting shall be applied as follows: (a) first, to the payment of any indebtedness other than Rents due hereunder from Airline to the Port; (b) second, to the payment of any cost of such reletting; (c) third, to the payment of Rents due and unpaid hereunder; and (d) the residue, if any, shall be held by the Port and applied in payment of future Rents as the same may become due and payable hereunder. Should that portion of such Rents received from such letting which are applied to the payment of Rents due hereunder be less than the Rents payable during applicable periods by Airline hereunder, then Airline shall pay such deficiency to the Port. Airline shall also pay to the Port, as soon as ascertained, any costs and expenses incurred by the Port in such reletting not covered by the Rents received from such reletting. The Port shall provide Airline an accounting of such costs and expenses.

31.6 Payment Under Protest

Notwithstanding anything to the contrary of this Agreement, if a dispute arises between the Port and Airline with respect to any obligation or alleged obligation of Airline to make payment(s) to the Port, the payment(s) under protest by Airline of the amount claimed by the Port to be due shall not waive any of Airline's rights, and if any court or other body having jurisdiction determines all or any part of the protested payment was not due, then the Port shall, as promptly as allowed by the Ordinance, reimburse Airline any amount determined as not due, plus interest on such amount at the

rate of eighteen percent (18%) per annum. The parties shall also use the mediation process described in Section 36.19 to resolve such dispute.

32. REDELIVERY OF AIRLINE PREMISES

32.1 Upon Termination of Agreement

Upon the Expiration Date or earlier termination or cancellation of this Agreement, Airline shall promptly surrender and deliver to the Port the Premises and all improvements thereon to which the Port is entitled hereunder in good and clean condition except for ordinary wear and tear. Ordinary wear and tear shall not include deterioration that could have been prevented by proper maintenance practices, or by Airline performing all of Airline's obligations under this Agreement. Effective upon the termination of this Agreement, as a result of expiration of its term or otherwise, Airline expressly waives any claim to occupy particular premises or locations within the Terminal or upon the Airport.

32.2 Removal of Property

Airline shall have the right at any time during the Term of this Agreement to remove from Airport its aircraft, tools, equipment, trade fixtures, and other personal property, title to which shall remain in Airline, unless otherwise set forth in this Agreement; subject, however, to any valid lien which the Port may have thereon for unpaid Rents or taxes. In the event Airline desires to sell, either to a successor tenant or otherwise, any Personal Property used in the operation of its air transportation system (other than aircraft or tools), it must provide at least thirty (30) calendar days advance written notice to the Port prior to any sale of such equipment or fixtures. Upon Termination or vacation of the Premises, Airline shall remove all Personal Property from the Premises. Airline shall at its sole cost and expense repair any damages caused by such removal and restore the remaining structure to the condition that existed prior to such removal except for ordinary wear and tear.

32.2.1 Timeframe for Removal

Unless the Airline is entering into a new signatory agreement with the Port under which it will occupy the same Premises, Airline shall remove all Personal Property from the Premises, and repair and restore the Premises upon the Expiration Date of the Signatory Agreement or the termination date applicable to vacation of leased Premises pursuant to Section 12.3; subject, however, to any valid lien on such Personal Property which the Port may have thereon for unpaid Rents.

32.2.2 Extension of Time for Removal

Upon Airline's request and the prior written approval of the Port, which shall not be unreasonably withheld, the Airline may leave such property in place for a period not exceeding thirty (30) calendar days following the end of this Agreement, or the date applicable to deletions in the Premises pursuant to Section 12.3, in order to complete a pending sale pursuant to Section 32. During such period, the Airline shall keep all such property in workable condition and shall continue to pay all applicable Rent on said space in the capacity of a real estate licensee. Use of and payment for such property by other Air Carriers shall be determined according to the access and compensation provisions of Section 34. The Airline shall be relieved of its indemnity obligations under Section 27.1, with regard to any claim for damages or personal injury arising out of or in connection with the Port's or another Air Carrier's use of such property (unless such damage or

personal injury is caused by the negligence of the Airline, its agents, employees or contractors). In the event no sale is completed, such property must be removed by the last day of the thirty (30) day period.

32.3 Abandoned Property

Any and all property not removed by Airline within thirty (30) calendar days following the termination of this Agreement shall be considered to be abandoned. Furniture, decorations, detached floor covering, curtains, blinds, furnishings and removable trade fixtures shall remain the property of Airline if placed on the Premises by Airline at Airline's expense. On or before the Expiration Date of this Agreement, unless Airline is intending to sign a new signatory agreement with the Port, or within thirty (30) calendar days following an earlier termination of this Agreement, Airline, at Airline's expense, shall remove from the Premises any and all of Airline's removable personal property and shall repair any damage to the Premises resulting from the installation or removal of such personal property. Title to any items of Airline's Personal Property which remain on the Premises thirty (30) calendar days after the expiration of the Term of this Agreement may, at the option of the Port, be automatically taken by the Port, and the Port shall have the option, in its sole discretion, of: (a) retaining any or all of such Personal Property without any requirement to account to Airline therefore; or (b) removing and disposing of any or all of such Personal Property and recovering the cost thereof, plus interest from the date of expenditure at the rate of eighteen percent (18%). The time for removal of any property which Airline is required to remove from the Premises upon termination shall be within thirty (30) calendar days after notice from the Port requiring such removal where the property to be removed is an improvement which Airline is not required to remove except after election or notice by the Port.

32.4 Holding Over

After this Agreement has ended, or after the date applicable to deletions in the Premises pursuant to Section 12.3, should Airline use the Premises without an agreement of the Port to extend this Agreement for an additional length of time, Airline shall be deemed a tenant at sufferance during the period of such use and shall pay the then current Rent payable by Non-Signatory Airlines. In such event, the Port shall have the right to pursue all remedies provided under applicable laws, and reasonable costs, disbursements and attorney fees incurred by the Port in the exercise of the Port's remedies.

33. ASSIGNMENT, SUBLETTING AND HANDLING AGREEMENTS

33.1 Assignment

33.1.1 Assignment Generally

Airline shall not, directly or indirectly, assign, sell, pledge, encumber, license the use of, or otherwise transfer any interest in any portion of the Premises or this Agreement, without the prior written approval of the Port, which approval may be granted or denied in the sole discretion of the Port. A Security Deposit may be required, in the sole discretion of the Port, in the event of such assignment or other transfer, subject to the provisions of Section 28.

33.1.2 Assignment by Merger

Notwithstanding the provisions of this Section, the Port shall approve the assignment of this Agreement or the Premises to any business entity with which Airline may merge or consolidate or which purchases all or substantially all of Airline's assets. The Port shall be notified,

in writing, as soon as practicable of a pending merger or consolidation or sale of Airline's business, but in no event less than thirty (30) calendar days before the merger or consolidation is scheduled to occur, provided that such pending merger or consolidation has become public. Said notice shall state the name and address of the successor. As a condition for approval of the assignment, the Port may require, in a form and content satisfactory to the Port, an acknowledgement from the successor that it agrees to assume all obligations of Airline and will fully honor all the terms and conditions set forth in this Agreement. A Security Deposit may be required, in the sole discretion of the Port, in the event of such assignment by merger, subject to the provisions of Section 28.

33.2 Subletting

Airline shall not sublease any Premises without the prior written approval of the Port, which shall not be unreasonably withheld. In deciding whether to approve a sublease, the Port agrees to consider the full needs and plans of any Air Carrier seeking to sublease space from Airline, including whether said company desires to be handled by Airline, in accordance with Section 33.5 or whether said company demonstrates some other type of agreement with Airline which indicates that such sublease is desirable for the proposed subtenant's operations. For the purpose of this Section 33.2 and Section 33.3, a "sublease" shall be an agreement between Airline and another Air Carrier for the use of Airline's Exclusive Space, Preferential Space, Aircraft Apron space, or any part thereof, which allows such Air Carrier the exclusive or preferential use of said space. Temporary gate use agreements, handling agreements pursuant to Section 33.5, Affiliate agreements pursuant to Section 33.6, or other similar agreements shall not be considered a sublease, but Airline is required to notify the Port of any Affiliate who will be occupying any portion of the Premises, and where the Affiliate will be located, before the Affiliate takes occupancy.

33.3 Written Sublease Required

In the event Airline requests approval to sublease, the request shall be accompanied by a copy of the proposed sublease agreement. The type of space to be subleased and the Rent to be charged shall be specified and all other information reasonably requested by the Port pertaining to said sublease shall be promptly provided. Final approval of a sublease shall not be granted until a final executed copy of the sublease has been delivered to the Port in compliance with this Section. Said sublease shall be subordinated to the provisions of this Agreement. Sublease Rent for each type of space shall not exceed the Rent paid by Airline hereunder. In addition to said Rent, Airline may charge only the following: (a) a reasonable fee for administrative costs, not to exceed fifteen percent (15%) of the specified sublease rental; (b) reasonable fees to subtenants for the use of Airline's Capital Improvements, trade fixtures, or equipment; (c) charges for any utilities paid by Airline; and (d) an amount(s) equal to the payments, if any, by Airline for the services or supplies provided by third persons which are paid for by Airline, plus an additional fifteen percent (15%).

33.4 Continuation of Payments

No sublease pursuant to Section 33.2, or temporary access, pursuant to Section 34, shall release Airline from its obligations to pay, when due, the Rents provided herein.

33.5 Ground Handling Arrangements

In the event Airline agrees to ground handle any portion of the operations of another Air Carrier, Airline shall provide the Port with advance written notice of such proposed activities, including a description of the type and extent of services to be provided. Notwithstanding the provisions of the foregoing sentence, Airline shall not ground handle another Air Carrier which does

not have an agreement with the Port allowing said Air Carrier to operate at the Airport, with the exception of an Air Carrier that uses the Airport on an occasional or unscheduled basis.

33.6 Affiliates

All Affiliates using the Airport must enter into an Affiliate agreement. All Rent due from the Affiliate and all reports required to be made for payment of Rent shall be made by the Contracting Carrier. Notwithstanding the foregoing, the Affiliate shall directly report and pay to the Port all PFCs that it collects. The Contracting Carrier must also sign the Affiliate's agreement with the Port. 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 the Rent payments and submitting the activity reports for the Affiliate, then that Affiliate activity will count toward the Contracting Carrier's activity and MII weight. The Contracting Carrier will also be liable to the Port to pay all Rent due from the Affiliate.

33.6.1 Notification Required by Airline before Use of Affiliate

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 agreement with the Port, and that the Airline also signs this agreement as the Contracting Carrier. Airline is also responsible to notify the Port when it ceases to use the Affiliate. Affiliates signing a Signatory Agreement will be bound by that agreement for its entire term.

33.6.2 Special Terms for Affiliates

Because the Affiliate is operating on behalf of a Signatory Carrier(s) who reports and pays for all Terminal Rents and Landing Fees associated with the Affiliate's operations, the rate charged for the Affiliate's activity will be the same as the Signatory Passenger Airline Rent, with no premium assessed, except as provided in Section 33.6.3. The Rent paid by the Contracting Carrier on behalf of its Affiliates is subject to adjustment, as described in Section 20.

33.6.3 Space Leased Under Affiliate's Name

If an Affiliate chooses to lease space directly from the Port, it relinquishes its status as an Affiliate.

34. REALLOCATION OF TERMINAL PREMISES AND ACCOMMODATION

34.1 Measurement of Space

In calculating the area of space to be added to or deleted from this Agreement, all measurements to determine the area of space leased or used in the Terminal shall be made from the exterior surface of the exterior walls and from the centerline to centerline of each interior wall, or, in the absence of such interior wall, the point where such said centerline would be located if such interior wall existed.

34.2 Accommodation of Other Airlines

It is recognized by Airline and the Port that, from time to time during the Term of this Agreement, it may become necessary for the Airline to voluntarily accommodate another Air Carrier within its Premises, or for the Port unilaterally to require Airline to accommodate another Air Carrier within Airline's Premises in furtherance of the public interest of having the Airport's capacity fully and more effectively utilized, as follows:

(a) To comply with any applicable rule, regulation, order or statute of any governmental entity that has jurisdiction over the Port, and to comply with federal grant assurances applicable to the Port.

(b) To implement a Capital Improvement at the Airport.

(c) To facilitate the providing of new or additional air services at the Airport by a requesting Air Carrier when no Airline serving the Airport is willing to accommodate the requesting Air Carrier's operational needs or requirements for facilities at reasonable costs or on other reasonable terms.

34.3 Process of Seeking Accommodation Required by Law

When responding to Section 34.2(a), the Port will request accommodation through an expedited procedure. The request for accommodation will be made based on a reasonable and nondiscriminatory evaluation of the most cost effective, least disruptive alternative, and yet operationally reasonable alternative that is available. Within ten (10) calendar days of a written notice of the Port's intent to require accommodation, Airline must accept the request or notify the Port that it wishes to meet and show cause why the accommodation should not be made. If the Port elects to proceed with the accommodation after meeting with Airline, the Port shall give Airline not less than thirty (30) calendar days notice to accomplish the accommodation.

34.4 Accommodation Protocol for Other Reasons

Pursuant to Section 34.2(b) or Section 34.2(c), the Port shall work with the impacted Air Carriers to attempt to obtain access to existing Airport capacity through one (1) or more of the following alternatives: (a) lease vacant space, if any such vacant space is reasonable for the requested use; (b) use existing Common Use Space, if any such space is reasonable and available for the requested use; (c) enter into a sublease or ground handling agreement with an existing Air Carrier, if all parties are willing; and/or (d) reclaim Premises from a Signatory Airline who is underutilizing its Premises. Within ten (10) calendar days of a written notice of the Port's intent to require accommodation, Airline must accept the request or notify the Port that it wishes to meet and show cause why the accommodation should not be made. If the Port elects to proceed with the accommodation after meeting with Airline, the Port shall give Airline not less than thirty (30) calendar days notice to accomplish the accommodation.

34.5 Accommodation Requirements

When requested to do so by the Port, Airline agrees to use reasonable good faith efforts to accommodate the requesting Air Carrier's requirements through joint use of its facilities or through a sublease or passenger handling or ground handling agreements. Airline, in offering joint use of its facilities or offering a sublease or ground handling agreement to the requesting Air Carrier, is not required to provide facilities to the requesting Air Carrier that would be incompatible with Airline's (including an Affiliated Airline's) own reasonable schedule of operations or the operations of any other Air Carrier(s) being accommodated by Airline at the time of the requesting Air Carrier's request.

34.6 Right to Take Back Underutilized Airline Premises

In accordance with Section 34, the Port may make a reasonable determination as to whether any Signatory Airline, or Signatory Airlines, have underutilized facilities or capacity available to accommodate the requesting Air Carrier, after taking into consideration the nature and extent of

those Signatory Airlines' operations at the Airport, including any requirements for spare gates and facilities and whether there are any limitations on the nature, extent, cost, duration, and extension of such accommodations. If the Port determines, in its reasonable discretion, that none of the above alternatives can accommodate the requesting Air Carrier, the Port shall have the unilateral right to reclaim specifically identified underutilized Premises and lease that space to the requesting Air Carrier until such time as Airline can demonstrate a clear need to reclaim the deleted Premises.

34.7 Requirements for Final Determination

In making accommodation decisions, the Port shall not be arbitrary and capricious. Such determinations by the Port shall take into consideration: (a) if the accommodation is requested due to underutilization, the then existing utilization of the Premises (including all existing accommodation arrangements) and any bona fide plan of Airline, or any other Air Carrier, for the increased utilization of the Premises to be implemented within twelve (12) months thereafter; (b) the need for compatibility among the current schedules, flight times, operations, operating procedures and equipment of Airline or any other Air Carrier (and its Affiliated Airlines) and those of the requesting Air Carrier, as well as the need for labor harmony; and, (c) the effect on Scheduled Service carriers of accommodating charter carriers at the Terminal. Any non-public information provided by Airline regarding planned or proposed routes, schedules, or operations shall be treated as confidential by the Port to the maximum extent permitted by law.

34.8 Alterations to Space

Whether Airline agrees to accept the accommodation of requesting Air Carrier, or the Port elects to proceed with accommodation over Airline's protests, the requesting Air Carrier has the right and the responsibility, at its expense, to make improvements and alterations necessitated by the accommodation of the requesting Air Carrier, the scope of which must be reasonable and must be approved by the Port. If the Port issues a decision requiring accommodation within Airline's Premises, that decision shall be a final order of the Port; provided that the Port shall reimburse and make the Airline whole for the unamortized value of any improvement made by the Airline to the Premises that needs to be removed in order to make the accommodation requested by the Port. In addition, Airline's continued objections may be further pursued by any means available under the law.

34.9 Published Schedule Changes

Each Air Carrier shall provide the Port, upon request, any published schedule change with a gate plot showing all times when aircraft are scheduled to be utilizing each gate leased to such Air Carrier, including aircraft type, projected arrival and departure times, and point of origin or destination, including activities by subtenants or Air Carriers being accommodated.

34.10 Payment for Accommodation Moves

If an Airline is required to move by the Port, the move and the development of new space and facilities will be paid for by the Port, using the appropriate Cost Center Revenues. Nothing in this Agreement shall limit the Port's rights to reclaim all or any portion of the Premises that the Port reasonably determines is needed for efficient Airport operations as long as the Port has complied with the provisions of this Section. In the event Airline is required to move, the Port will make all reasonable efforts to provide Airline with comparable alternative space.

35. EARLY TERMINATION OF AGREEMENT BY PORT

This Agreement may be terminated in advance of its Term expiration 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. In such case, the Port may, at its option, terminate this Agreement as of the date of such taking; or 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.

36. GENERAL PROVISIONS

36.1 Advances by Port

If Airline shall fail to do anything required to be done by it under the terms of this Agreement (except for payments due from Airline to the Port), after any applicable cure period in Section 31.2, the Port may, at its sole option, do such act or thing on behalf of Airline, and Airline shall pay the Port for its entire cost in performing such act or thing, plus the sum of fifteen percent (15%). Said fifteen percent (15%) payment shall be a credit to the appropriate Cost Center of the Airline Supported Area.

36.2 Agent for Service of Process

It is expressly agreed that if Airline does not have or maintain an agent for service of process within the State of Oregon who is designated in this Agreement, then Airline agrees that for the purpose of service of process in any action between it and the Port arising out of or based upon this Agreement, Airline may be personally served with such process by the certified mailing, or hand delivery, of a true copy of such complaint and process to Airline at the address set forth in Section 36.25, or to the last known headquarters of Airline. It is further agreed that any such service by certified mail or hand delivery shall constitute valid service upon Airline as of the date provided for in Section 36.25. Airline hereby designates the following agent and address for personal service within the State of Oregon:

36.3 Airport Security

Airline and the Port shall comply with all applicable regulations relating to Airport security, including, but not limited to, the Airport Security Program, and shall cooperate in controlling the Premises so as to prevent or deter unauthorized persons from obtaining access to the air operations area of the Airport. Any penalty or fines imposed upon the Port as a result of a security violation solely caused by Airline, its employees, agents or contractors, shall be paid by Airline to the Port within thirty (30) calendar days of the Port's invoice therefore and shall bear interest at the rate of eighteen percent (18%) per annum until paid in full.

36.4 Approvals and Permits from the Port

Whenever this Agreement calls for approval or a permit by the Port, such approval or permit shall be in writing by the Executive Director of the Port, the Director of Aviation of the Port, or the Director's designee, and upon such terms or conditions as the Port deems necessary.

36.5 Attorneys' Fees

If a suit, action, or other proceeding of any nature whatsoever (including any proceeding under the U.S. Bankruptcy Code), is instituted in connection with any controversy arising out of this Agreement or to interpret or enforce any rights or obligations hereunder, the prevailing party shall be entitled to recover reasonable attorney, paralegal, accountant, and other expert fees and all other fees, costs, and expenses actually incurred and reasonably necessary in connection therewith, as determined by the court at trial or on any appeal or review, in addition to all other amounts provided by law. Payment of all such fees shall also apply to any administrative proceeding, trial, and/or any appeal or petition for review. Whenever this Agreement requires either party to defend the other, it is agreed that such defense shall be by legal counsel reasonably acceptable to the party to whom such defense is owed.

36.6 Aviation Rights

The Port reserves unto itself, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Airport, including the Premises, for navigation or flight in said airspace for landing on, taking off from, or operating on the Airport, together with the right to cause in said airspace such noise as may be inherent in the operation of aircraft now known or hereafter used on or about the Airport.

36.7 Calculation of Time

Unless referred to as Business Days, all periods of time referred to in this Agreement shall include Saturdays, Sundays, and Legal Holidays. However, if the last day of any period falls on a Saturday, Sunday, or Legal Holiday, then the period shall be extended to include the next day which is not a Saturday, Sunday or Legal Holiday. "Legal Holiday" means any holiday observed by the Federal Government. "Business Days" means Monday through Friday and shall exclude Saturday, Sunday and Legal Holidays.

36.8 Capacity to Execute and Thorough Review

The Port and Airline each warrant and represent to one another that this Agreement constitutes a legal, valid, and binding obligation of that party. The individuals executing this Agreement personally warrant that they have full authority to execute this Agreement on behalf of the entity for whom they purport to be acting. The parties hereto acknowledge that they have thoroughly read this Agreement, including the exhibits or attachments hereto, and have sought and received whatever advice and counsel was necessary for them to form a full and complete understanding of all rights and obligations herein.

36.9 Compliance by Other Tenants

The Port shall employ its best efforts to obtain uniform compliance with its PDX Rules. However, the Port shall not be liable to Airline for any violation or non observance of such PDX Rules by any other tenant, Air Carrier, or other users of the Airport.

36.10 Entire Agreement

Except as provided in Section 36.26, it is understood and agreed that this instrument contains the entire agreement between the parties hereto with respect to the subject matter of this Agreement. It is further understood and agreed by Airline that the Port and its agents have made no representations or promises with respect to this Agreement or the making of this Agreement, except as expressly set forth herein, and that no claim or liability or cause for termination shall be asserted by Airline against the Port for, and the Port shall not be liable by reason of, the breach of any representations or promises not expressly stated in this Agreement. Any oral agreement with the Port is expressly waived by Airline.

36.11 Gender

Words of any gender used in this Agreement shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires.

36.12 Governing Law/Forum Selection

Unless preempted by federal law, this Agreement is to be read and construed in accordance with the laws of the State of Oregon. The parties hereto agree that only a federal or state court sitting in the State of Oregon shall be the proper forum for any legal actions brought hereunder.

36.13 Governmental Compliance

Airline, its agents and employees, shall observe and comply with all applicable rules, regulations, orders and restrictions which are now in force or which may hereafter be adopted by the Port, as provided in Section 3, and elsewhere, with respect to the operation of the Airport. This Agreement shall also be subject to any and all applicable current and future laws, statutes, rules, regulations or orders of any other governmental authority lawfully exercising authority over the Port, the Airport or Airline's operations. The Port shall not be liable to Airline for any diminution or deprivation of its rights hereunder due to the exercise of any such authority as provided for in Section 26.7, nor shall Airline be entitled to terminate this Agreement by reason thereof, unless the exercise of such authority shall so interfere with Airline's exercise of the rights hereunder as to constitute a termination of this Agreement by operation of law in accordance with the laws of the State of Oregon, or permit Airline to cancel this Agreement pursuant to the provisions of Section 31.

36.14 Headings and Titles

The headings of the articles and 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 this Agreement, or the interpretation or construction thereof.

36.15 Height Limitations

The Port reserves the right to take any action it considers necessary to protect the aerial approaches of the Airport against obstructions, including the right to prevent the Airline from erecting, or permitting to be erected, any building or other structure on the Airport which, in the opinion of the Port, would limit the usefulness of the Airport or constitute a hazard to aircraft or which would otherwise fail to comply with Federal Aviation Regulations, Part 77, as such may be amended or replaced from time to time.

36.16 Incorporation of Exhibits

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

36.17 Interpretation of Agreement

This Agreement is the result of extensive negotiations between the parties and shall not be construed against the Port by reason of its preparation of this Agreement.

36.18 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 reasonable efforts 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.

36.19 Mediation

Should any dispute arise between the parties to this Agreement other than and excepting disputes regarding: (a) failure to pay Rent as required by this Agreement; or (b) any other matters stated elsewhere in this Agreement as not being subject to mediation, then it is agreed that such other dispute will be submitted to non-binding mediation prior to any litigation. The parties shall exercise good faith efforts to select a mediator who shall be compensated equally by both parties. Mediation will be conducted in the Airport Conference Center in Portland, Oregon, unless both parties agree otherwise. Both parties agree to exercise good faith efforts to resolve disputes through the mediation process. If either party requests mediation and the other party fails to respond within ten (10) calendar days, or if the parties fail to agree on a mediator within ten (10) calendar days, a mediator shall be appointed by the presiding judge of the Multnomah County Circuit Court upon the request of either party. The parties agree that mediation shall occur on an expedited schedule and that they will not attempt to delay mediation, the scheduling of the mediation or continue the mediation once it has been set. The parties shall retain all rights at law or in equity with respect to any dispute not covered by this Section and also with respect to those disputes covered by this Section after mediation has been completed.

36.20 National Emergency

During time of war or national emergency, the Port shall have the right to enter into an agreement, or perform any existing agreement, with the United States government for use of part or all of the Landing Area, the publicly owned air navigation facilities and/or other areas or facilities of the Airport. If any such agreement exists or is executed, the provisions of this instrument, insofar as they are inconsistent with the provisions of the agreement with the United States government, shall be suspended.

36.21 No Implied Warranty

In no event shall a consent, approval, acquiescence, or authorization by the Port be deemed a warranty, representation, or covenant by the Port that the matter approved, consented to, acquiesced in or authorized is appropriate, suitable, practical, safe or in compliance with any applicable law or this Agreement. In no event shall the Port be deemed liable therefore. Airline shall be solely responsible for such matters.

36.22 No Third Party Beneficiary

The Port and Airline are the only parties to this Agreement and as such are the only parties to enforce its terms. Nothing in this Agreement gives, or shall be construed to give or provide, any benefit, direct or indirect, to third parties unless a third party is expressly described as an intended beneficiary of its terms. A taxing authority is intended as a third party beneficiary to this Agreement for the limited purpose of collecting taxes due from the Airline.

36.23 Nonliability of Agents and Employees

No commissioner, officer, agent, director, or other employee of the Port or Airline shall be charged personally or held contractually liable by or to the other party under the terms or provisions of this Agreement or because of any breach thereof or because of its execution or attempted execution, except for breach of Section 36.8.

36.24 Nonwaiver of Rights

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

36.25 Notices

Except as otherwise provided herein, notices required herein shall be given by personal delivery or by depositing notice in the United States mail, certified mail, return receipt requested, and postage prepaid, to the parties at their respective addresses set forth below. Unless otherwise provided in this Agreement, any notice shall be effective upon its actual receipt but, in any event, shall be deemed received by the addressee no later than four (4) calendar days after deposit of same in the mail. Either party shall have the right, by giving written notice to the other, to change the address at which notices are to be received. If notice is given in any other manner or at any other place than those specified below, it will also be given at the place and in the manner specified below.

Notice to the Port shall be mailed to the following address:

The Port of Portland
Attention: Director of Aviation
7200 N.E. Airport Way
Portland, OR 97218

With a copy to:

The Port of Portland
Attention: General Manager, Aviation Business and Properties
7200 NE Airport Way
Portland, OR 97218
E-mail: chris.madsen@portofportland.com
Fax: 503-548-5925

Notice to the Airline shall be mailed to the following address:

Attention: _____

With a copy to:

Attention: _____

E-mail: _____

Fax: _____

E-mail and fax may not be used for sending MII ballots by the Port and for response by the Signatory Airlines. Informal notices may be transmitted via electronic mail at the addresses noted above. Any changes made to the notice address shall be made in accordance with this provision.

36.26 Other Agreements Continued

Nothing contained in this Agreement shall be deemed or construed to nullify, restrict or modify any other unexpired lease or contract between the Port and Airline.

36.27 Public Contracting Requirements

To the extent, if any, that the provisions required to be included in public contracts by Oregon Revised Statutes Sections 279.312 through 279.320, inclusive, as amended or renumbered from time to time, are applicable to this Agreement, and apply to Airline, said provisions are incorporated herein.

36.28 Quiet Enjoyment

Except with respect to the exercise of the Port's governmental powers, the Port agrees that on payment of the Rent due hereunder, and performance of the covenants and agreements on the part of Airline to be performed hereunder, Airline shall peaceably have and enjoy the Premises pursuant to the terms of this Agreement.

36.29 Right of Port to Enter

The Port and its authorized employees, agents, contractors, subcontractors, and other representatives shall have the right at all reasonable times, pursuant to written notice from the Port to the Airline as further described below, to enter upon any of the Premises occupied by Airline for the following purposes (provided such right of entry shall not unreasonably interfere with Airline's use or occupancy):

36.29.1 Inspections

The Port may, upon twenty-four (24) hours advance written notice to the Airline's station manager, 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 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 an Event of 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.

36.29.2 Maintenance and Repairs

The Port may, upon twenty-four (24) hours advance written notice to the Airline's station manager, enter the Premises in order to make repairs and replacements in any event where Airline is obligated to do so under this Agreement and has failed to do so within a reasonable period after being notified by the Port of Airline's failure to so perform. The Port may also enter to perform maintenance and make repairs and replacements, including structural additions and alterations, in any event where the Port is obligated to do so under this Agreement and in any other event where the Port determines that it is necessary or desirable to do so to preserve the Airport or any portion thereof or to correct any conditions likely to cause injury or damage. As to any such repairs or replacements that are occasioned by the misuse by Airline, Airline shall pay the Port for its entire cost of performing such work, plus the sum of fifteen percent (15%). Said fifteen percent (15%) payment shall constitute a credit to the appropriate Cost Center of the Airline Supported Area. Notwithstanding the foregoing, no notice is required in the event of the need to make an emergency repair.

36.29.3 Environmental Compliance Inspection

The Port may, upon seventy-two (72) hours advance written notice to the Airline's AAAC representative, enter the Premises in order to review Airline's compliance with Environmental Law at the Airport and the Premises. The Port may conduct environmental sampling, and perform any Hazardous Substance Release remediation or restoration, as required by applicable Environmental Laws, or this Agreement, in the event Airline is obligated to do so under this Agreement and has failed to do so within a reasonable period after being notified by the Port of Airline's failure so to perform. The Port shall use all reasonable efforts not to interfere with Airline's operations while on the Premises.

36.29.4 Impact of Entry on Rent

All entries made for the purposes set forth in this Section shall be without abatement of Rent unless Airline is deprived of its use of the affected space (except in the event of entry pursuant to Section 36.29.2).

36.30 Rights Non Exclusive

Notwithstanding anything herein contained that may be or appear to the contrary, the rights, privileges and licenses granted under this Agreement, except in Exclusive Space, are "non exclusive," and nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308 of the Federal Aviation Act of 1958, as such may be amended.

36.31 SEC Rule 15c2-12

The 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 any Securities and Exchange Commission rulings, including, but not limited to, 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.

36.32 Severability

If one or more clauses, sections, or provisions of this Agreement shall be held to be unlawful, invalid or unenforceable by any court of competent jurisdiction, the remainder of this Agreement shall not be affected thereby, unless the rights enjoyed by either the Port or Airline hereunder are substantially adversely affected.

36.33 Status of Parties

The parties hereto are independent contracting principals, who have entered into this Agreement after extensive negotiations. Nothing contained in this Agreement, including the method of computation of Rents, or the manner in which improvements shall be constructed by Airline upon Port property, shall be deemed or construed as creating the relationship of principal and agent, partners, joint venturers, or any other similar such relationship, between the parties hereto.

36.34 Subordination of Agreement/References to the Governmental Agreements and Port Ordinances

The terms of this Agreement shall be subordinate to the provisions of any existing or future agreements between the Port and the United States government, or other governmental authority, with respect to the operation or maintenance of the Airport, the execution of which has been or will be required as a condition precedent to the granting of federal funds, or other governmental authority funds, for the development of the Airport to the extent that the provisions of any such existing or future agreements are generally required by the United States or other governmental authority or other civil airports receiving such funds. The rights and obligations of this Agreement shall be subordinate and subject to the terms and conditions of all applicable Port ordinances, as amended, and as they may be amended from time to time. The Port and Airline agree that the bond Trustee(s), as defined in the Port Bond Ordinances 155 and 323, both as amended ("Bond Ordinance"), shall possess, enjoy and may exercise all rights of the Port hereunder to the extent such possession, enjoyment and exercise are necessary to ensure compliance by the Port or Airline with the terms and provisions of this Agreement. Airline and Port further agree that each party shall not do, or fail to do, any act which shall render taxable any federally tax exempt revenue bonds issued to finance Airport construction. If the Bond Ordinance is amended, any citations contained in this Agreement shall be deemed amended to conform to the amended Ordinance.

36.35 Successors and Assigns Bound

All of the covenants, conditions, and agreements contained herein shall extend to and be binding upon the legal representatives, successors and assigns of the respective parties hereto; provided, however, that any assignment by Airline must be in accordance with the provisions of Section 33.1.

IN WITNESS HEREOF, the parties have subscribed their names hereto effective as of the year and date first written above.

[[**AIRLINE**]]

THE PORT OF PORTLAND

By: _____

By: _____

Print Name: _____

Print Name: _____

As Its: _____

As Its: _____

Date: _____

Date: _____

APPROVED FOR LEGAL SUFFICIENCY
FOR THE PORT:

By: _____
Counsel for Port of Portland

APPROVED BY COMMISSION ON:
June 9, 2010