

AIR SERVICE INCENTIVE PROGRAM (FINANCIAL)

The City of St. Louis, Missouri, has adopted a Passenger Air Service Incentive Program (individually, "Program I," "Program II," "Program III," "Program IV," "Program V," "Program VI," and "Program VII" collectively the "Incentive Program") to stimulate passenger and cargo air service at the Airport.

GENERAL

A. Overall Goals

The goals of the Incentive Program are to:

1. increase passenger and/or cargo airline activity at the Airport;
2. attract new/additional passenger and/or cargo air service to the St. Louis market;
3. increase the number of non-stop destinations served from St. Louis;
4. increase the number of passengers traveling through the Airport;
5. increase the amount of cargo processed at the Airport;
6. increase non-airline (concessions, parking, etc.) revenues to the Airport;
7. reduce the airlines' unit cost to operate at the Airport

B. Term

The Incentive Program is in effect commencing in Fiscal Year 2015 and shall remain in effect through Fiscal Year 2017.

C. Funding

Subject to the availability of funds and appropriations by the City, the Incentive Program shall be funded solely from the Airport's Contingency Fund. Financial benefits conferred through the Incentive Program shall not exceed \$1,700,000.00 during Fiscal Year 2010, \$1,700,000.00 during Fiscal Year 2011, and \$1,700,000.00 during Fiscal Year 2012; provided, however, that any appropriated amounts in excess of actual financial benefits conferred during Fiscal Year 2015 through and including Fiscal Year 2017 may not exceed in total \$4,800,000.00. However, any appropriated amounts in excess of actual financial benefits conferred in each Fiscal Year will be carried over to the immediately-following Fiscal Year to be used in accordance with the Incentive Program to include Fiscal Year 2018 for those Eligible Airlines with Qualifying Flight activity that extends beyond the end of Fiscal Year 2017. If necessary, the available annual funding will be prorated among the Incentive Programs' participants.

Waivers of Landing Fees and Terminal Building Rents offered by the City under this Incentive Program shall not have the effect of increasing the rentals, fees, or charges imposed on other aeronautical users of the Airport, including other airlines.

D. Compliance with Federal Obligations

The terms and implementation of this Incentive Program shall be, at all times, subordinated to applicable state and federal laws and regulations, and the provisions of any existing or future agreement between the City and the United States Government or governmental authority, relating to the operation or maintenance of the Airport. The Incentive Program may be terminated, in whole or in part, if it is determined to violate applicable laws, regulations, or any

assurance made by the City to the United States Government in connection with the receipt of federal grants-in-aid or the approval of Passenger Facility Charges.

Incentive Program

The words and phrases defined below have the following meaning when used elsewhere in this Incentive Program:

Airport Use and Lease Agreement: means the agreement first adopted by Ordinance No. 68892, approved on May 25, 2011, as it may be amended from time to time or a successor agreement.

Airport: means the Lambert-St. Louis International Airport, together with any additions, improvements, or enlargements made from time to time.

Airport Operating Agreement and Terminal Building Space Permit: means that agreement with the City providing for the use of the Airport by an airline that is not a party to an Airport Use and Lease Agreement, as it may be amended from time to time or a successor agreement.

City: means The City of St. Louis, Missouri.

Direct Flight: means a flight served on a one-stop, same aircraft basis.

Director of Airports: means the Director of Airports of the City or the person performing the functions of that office, as authorized by the City's Mayor, or that person authorized by the Director of Airports to act for or on behalf of the Director of Airports with respect to any particular matter.

Essential Air Service (EAS): means flights to the Airport from rural areas pursuant to the Essential Air Service Program administered by the U.S. Department of Transportation.

Fiscal Year: means the twelve-month period commencing July 1 and extending through June 30 of the following calendar year, or such other fiscal year as the City may establish by ordinance.

Landing Fees: means the fees payable in accordance with Section 503 of the Airport Use and Lease Agreement, or similar fees in other agreements for the use of the Airport, as may be applicable.

Seasonal Flight: means a flight that operates from the airport less than 12 consecutive months.

Terminal Building Rents: means the charges payable in accordance with Sections 502 and 504 of the Airport Use and Lease Agreement, or similar charges in other agreements for the use of the Airport, as may be applicable.

Transoceanic Destinations: means a destination outside of North/Central America and the Caribbean.

PROGRAM I – NEW ENTRANT AIRLINES (PASSENGER)

A. Program I Goals

1. Attract new passenger airlines to, and increase competition among passenger airlines in, the St. Louis air service market.
2. Help mitigate the financial impact to new entrant passenger airlines when beginning passenger air service at the Airport.
3. Compete with other airports seeking to attract new entrant passenger airlines.

B. Program I Definitions

Eligible Airline: an airline that has not provided passenger air service at the Airport in the previous 12 months, and that begins new scheduled passenger air service at the Airport and commits to maintain such service for a period of 24 consecutive months, is eligible to participate in Program I, except:

1. An airline that operates for the benefit of, or under the same or substantially similar name and/or livery as another airline that is serving the Airport on, or discontinued service at the Airport within the 12 months prior to, the date on which the new scheduled passenger service begins; or
2. An airline that consolidates with, or merges into, another airline that is serving the Airport on, or discontinued service at the Airport within the 12 months prior to, the date on which the new scheduled passenger service begins.

To become an Eligible Airline, an airline must have entered into, or commit to enter into, and be in compliance with, all the terms of an Airport Use and Lease Agreement or an Airline Operating Agreement and Terminal Building Space Permit.

Qualifying Flight: a regularly scheduled passenger non-stop roundtrip flight at the Airport (designated by a particular flight number or numbers) that is first operated by an Eligible Airline during that airline's initial 30 days of operations at the Airport qualifies for the purposes of Program I.

C. Program I Incentives

Upon the Airport Director's determination that an airline is eligible to participate in Program I, and subject to the provisions of this Incentive Program, the following fees will be waived:

1. Landing Fees incurred by that airline's Qualifying Flights beginning on the date in which each Qualifying Flight is first operated, and continuing for a period of up to 12 consecutive months thereafter for each such Qualifying Flight; and
2. Terminal Building Rents associated with the space initially leased or assigned to an Eligible Airline up to the first 12 consecutive months of operations by that airline at the Airport.

PROGRAM II – NEW AIRPORT-WIDE NON-STOP DESTINATIONS (PASSENGER)

A. Program II Goals

1. Stimulate the introduction of passenger air service to new Airport-wide non-stop destinations from the Airport.
2. Ease the economic risk associated with beginning passenger air service to new Airport-wide non-stop destinations.
3. Help mitigate the financial impact of starting new passenger air service to a new Airport-wide non-stop destination from the Airport.

B. Program II Definitions

Eligible Airline: an airline that introduces Qualifying Flights and commits to maintain such service for a period of 24 consecutive months is eligible to participate in Program II; except: An airline that operates for the benefit of, or under the same or substantially similar name

and/or livery as another airline that is providing non-stop roundtrip flights between the Airport and such other airport on, or discontinued such service within the 12 months prior to, the date on which the Qualifying Flights begin.

To become an Eligible Airline, an airline must have entered into, and be in compliance with all the terms of an Airport Use and Lease Agreement, or an Airline Operating Agreement and Terminal Building Space Permit.

An airline participating in Program I that is also an Eligible Airline under Program II may request to participate in Program II for any Qualifying Flight for which the airline is not receiving an incentive under Program I.

Qualifying Flight: a new regularly scheduled passenger non-stop roundtrip flight (designated by a particular flight number or numbers) between the Airport and an airport that:

1. is not being served by any other airline;
2. and has not been served from the Airport by the Eligible Airline more than 10 days during the previous 12 months.

C. Program II Incentives

Upon the Director of Airports determination that an airline is eligible to participate in Program II, and subject to the provisions of this Incentive Program, the following fees shall be waived:

1. Landing Fees associated with that airline's Qualifying Flights and incurred up to the first 12 consecutive months of operations of that service.
2. Incremental Terminal Building Rents, if any, associated with that airline's Qualifying Flights and incurred up to the first 12 consecutive months of operations of that service.

PROGRAM III – NEW AIRLINE-SPECIFIC NON-STOP DESTINATIONS (PASSENGER)

A. Program III Goals

1. Stimulate the introduction of passenger air service to new airline-specific non-stop destinations from the Airport.
2. Ease the economic risk associated with beginning passenger air service to new airline-specific non-stop destinations from the Airport.
3. Help mitigate the financial impact of starting new passenger air service to a new airline-specific non-stop destination from the Airport.

B. Program III Definitions

Eligible Airline: an airline that introduces Qualifying Flights and commits to maintain such service for a period of 24 consecutive months is eligible to participate in Program III; except: An airline that operates for the benefit of, or under the same or substantially similar name and/or livery as another airline that is providing non-stop roundtrip flights between the Airport and such other airport on, or discontinued such service within the 12 months prior to, the date on which the Qualifying Flights begin.

To become an Eligible Airline, an airline must have entered into, and be in compliance with all the terms of an Airport Use and Lease Agreement, or an Airline Operating Agreement and Terminal Building Space

An airline participating in Program I that is also an Eligible Airline under Program III may request

to participate in Program III for any Qualifying Flight for which the airline is not receiving an incentive under Program I.

Qualifying Flight: a new regularly scheduled passenger non-stop roundtrip flight (designated by a particular flight number or numbers) between the Airport and an airport that has not been served from the Airport by the airline operating such new service more than 10 days during the previous 12 months qualifies for the purposes of Program III.

C. Program III Incentives

Upon the Airport Director's determination that an airline is eligible to participate in Program III, and subject to the provisions of this Incentive Program, the following fees shall be waived:

1. Landing Fees associated with that airline's Qualifying Flights and incurred up to the first 9 consecutive months of operations of that service.
2. Incremental Terminal Building Rents, if any, associated with that airline's Qualifying Flights and incurred up to the first 9 consecutive months of operations of that service.

PROGRAM IV – NEW DIRECT DESTINATIONS (PASSENGER)

A. Program IV Goals

1. Stimulate the introduction of passenger air service to new direct destinations from the Airport.
2. Ease the economic risk associated with beginning passenger air service to new direct destinations from the Airport.
3. Help mitigate the financial impact of starting new passenger air service to a new direct destination from the Airport.

B. Program IV Definitions

Eligible Airline: an airline that introduces Qualifying Flights and commits to maintain such service for a period of 12 consecutive months is eligible to participate in Program IV; except: An airline that operates for the benefit of, or under the same or substantially similar name and/or livery as another airline that is providing direct roundtrip flights between the Airport and such other airport on, or discontinued such service within the 12 months prior to, the date on which the Qualifying Flights begin.

To become an Eligible Airline, an airline must have entered into, and be in compliance with all the terms of an Airport Use and Lease Agreement, or an Airline Operating Agreement and Terminal Building Space

An airline participating in Program I that is also an Eligible Airline under Program IV may request to participate in Program IV for any Qualifying Flight for which the airline is not receiving an incentive under Program I.

Qualifying Flight: a new regularly scheduled passenger bi-directional Direct Flight (designated by a particular flight number or numbers) between the Airport and an airport that has not been served from the Airport by the airline operating such new service during the previous 12 months that results in increased departures at the Airport for the airline qualifies for the purposes of Program IV.

C. Program IV Incentives

Upon the Airport Director's determination that an airline is eligible to participate in Program IV,

and subject to the provisions of this Incentive Program, the following fees shall be waived:

1. Landing Fees associated with that airline's Qualifying Flights and incurred up to the first 6 consecutive months of operations of that service.
2. Incremental Terminal Building Rents, if any, associated with that airline's Qualifying Flights and incurred up to the first 6 consecutive months of operations of that service.

Upon the Airport Director's determination that during the initial 12 consecutive months following the beginning of a Qualifying Flight under Program IV the service has become a Qualifying Flight under Program II or Program III (i.e. a Direct Flight has become a new Airport-wide non-stop destination flight or a new airline-specific non-stop destination flight), the Airline shall be eligible to receive Program II or Program III Incentives less any Program IV Incentives received prior to such determination and is subject to Program II or Program III eligibility requirements.

PROGRAM V—NEW TRANSOCEANIC DESTINATIONS (PASSENGER AND CARGO)

A. Program V Goals

1. Stimulate the introduction of new air service—passenger and/or cargo—at the Airport to Transoceanic Destinations.
2. Help mitigate the financial impact of starting passenger and/or cargo service to new Transoceanic Destinations from the Airport.
3. Compete with other airports seeking to attract similar air service to Transoceanic Destinations.

B. Program V Definitions

Eligible Airline: an airline that introduces Qualifying Flights and commits to maintain such service for a period of 24 consecutive months is eligible to participate in Program V; except:

1. An airline that operates for the benefit of, or under the same or substantially similar name or livery as another airline that is serving the Airport on, or discontinued service at the Airport within the 12 months prior to, the date on which the new scheduled passenger or cargo service begins; or
2. An airline that consolidates with, or merges into, another airline that is serving the Airport on, or discontinued service at the Airport within the 12 months prior to, the date on which the new scheduled passenger and/or cargo service begins.

To become an Eligible Airline, an airline must have entered into or commit to enter into, and be in compliance with, all of the terms of the Airport Use and Lease Agreement or an Airline Operating Agreement and Terminal Building Space Permit.

Qualifying Flight: a regularly scheduled passenger and/or cargo flight (designated by a particular flight number or numbers) between the Airport and a Transoceanic Destination served by the same aircraft on a one-stop or less basis for a passenger flight and a two-stop or less basis for a cargo flight and listed as non-stop or direct service that is first operated by an Eligible Airline during that Airline's initial 30 days of operations of the Qualifying Flight at the Airport is a Qualifying Flight for the purposes of Program V.

C. Program V Incentives

Upon the Airport Director's determination that an airline is eligible to participate in Program V and subject to the provisions of this Incentive Program, the following fees shall be waived:

1. Landing Fees associated with that airline's Qualifying Flights and incurred up to the first 18 consecutive months of operations of that service.
2. Terminal Building Rents or incremental Terminal Building Rents, if any associated with an airline's Qualifying Flights or assigned to an Eligible Airline and incurred up to the first 18 consecutive months of operations by that service.

PROGRAM VI—NEW SEASONAL AIR SERVICE (PASSENGER)

A. Program VI Goals

1. Stimulate the introduction of passenger Seasonal Flights to new airline-specific nonstop destinations from the Airport.
2. Ease the economic risk associated with beginning passenger Seasonal Flights to new airline-specific non-stop destinations from the Airport.
3. Help mitigate the financial impact of starting passenger Seasonal Flights to new airline-specific non-stop destinations from the Airport.

B. Program VI Definitions

Eligible Airline: an airline that introduces Qualifying Flights and commits to maintain such service until a time agreed upon by the Airport Director, except;

1. An airline that operates for the benefit of, or under the same or substantially similar name and/or livery as another airline that is serving the Airport on, or discontinued service at the Airport within the 12 months prior to, the date on which the new scheduled passenger service begins; or
2. An airline that consolidates with, or merges into, another airline that is serving the Airport on, or discontinued service at the Airport within the 12 months prior to, the date on which the new Seasonal Air Service begins.

To become an Eligible Airline, an airline must have entered into or commit to enter into, and be in compliance with, all the terms of the Airport use and Lease Agreement or an Airline Operating Agreement and Terminal Building Space Permit.

Qualifying Flight: A new regularly scheduled passenger non-stop round trip Seasonal Flight (designated by a particular flight number or numbers) between the Airport and an airport that has not been served from the Airport by the airline operating such new service during the previous 12 months is a qualifying scheduled service for purposes of Program VI.

C. Program VI Incentives

Upon the Airport Director's determination that an airline is eligible to participate in Program VI, and subject to the provisions of this Incentive Program, the following fees shall be waived:

1. Thirty percent (30%) of the Landing Fees associated with that airline's Qualifying Flights and incurred during the first season of service of such Qualifying Flights.
2. Thirty percent (30%) of the Terminal Building Rents or incremental Terminal Building Rents, if any, associated with that Airline's Qualifying Flights and incurred during the first season of such Qualifying Flights.

PROGRAM VII – TRIAL AIR SERVICE (PASSENGER)

A. Program VII Goals

1. Stimulate the introduction of air service to new airline-specific non-stop destinations from the Airport
2. Ease the economic risk associated with beginning passenger air service to new airline-specific non-stop destinations from the Airport.
3. Help mitigate the financial impact of starting passenger air service to new airline-specific non-stop destinations from the Airport.

B. Program VII Definitions:

Eligible Airline: an airline that introduces Qualifying Flights and commits to maintain such service for a period of 12 consecutive months is eligible to participate in Program VII, *except*:

1. An airline that operates for the benefit of, or under the same or substantially similar name or livery as another airline that is serving the Airport on, or discontinued service at the Airport within the 12 months prior to, the date on which the new scheduled passenger service begins; or
2. An airline that consolidates with, or merges into, another airline that is serving the Airport on, or discontinued service at the Airport within the 12 months prior to, the date on which the new Seasonal Air Service begins.

To become an Eligible Airline, an airline must have entered into or commit to enter into and be in compliance with, all the terms of the Airport Use and Lease Agreement or an Airline Operating Agreement and Terminal Building Space Permit.

Qualifying Flight: A new, regularly scheduled, non-stop, round trip passenger flight (designated by a particular flight number or numbers) between the Airport and an airport that has not been served from the Airport by the airline operating such new service during the previous 12 months is a qualifying flight for purposes of Program VII. An airline may request a change in the original destination during the Qualifying Flight's initial 12 month operating period, but such request by be approved by the Airport Director to be considered a substitution and be counted as a Qualifying Flight.

C. Program VII Incentives

Upon the Airport Director's determination that an airline is eligible to participate in Program VII, and subject to the provisions of this Incentive Program, the following fees will be waived:

1. Landing fees associated with that airline's Qualifying Flight and incurred up the first 3 consecutive months of operations of that service.
2. Terminal Building Rents or incremental Terminal Building Rents, if any, associated with that airline's Qualifying Flight and incurred up to the first 3 consecutive months of operation of that service.

PROCEDURES

A. Application Process

1. Before commencing new service that may qualify for any Incentive Program, an airline desiring to participate must petition in writing to the Airport Director. A petition should include sufficient information to demonstrate eligibility to participate in the desired program and flight qualifications, including, without limitation: the type of new service to be offered, the destination airport, the date on which the new service will begin, and

the type of aircraft to be used for the new service. If applicable, a petition to participate in Programs II - VII also should include evidence that the airline would incur incremental Terminal Building Rents as a result of operating the applicable Qualifying Flights.

2. The Airport Director may request any additional information as may be necessary to consider an application.
3. An application must be approved by the Airport Director before an airline is eligible to participate, and its flights qualify for participation, in the Incentive Program.
4. The Airport Director may reject an application if the Airport Director determines that:
 - a) the airline is not eligible to participate in the Incentive Program;
 - b) the proposed service does not qualify for an incentive; or
 - c) the proposed service does not meet the Incentive Program's goals.
5. The Airport Director may terminate an airline's eligibility to participate if that airline fails to meet or maintain any of the requirements for participation.

B. Reports

An airline participating in the Incentive Program may be required to provide operational reports to show it is meeting the applicable requirements.

C. Year-End Settlement

Contemporaneously with the year-end accounting, recalculation and settlement of fees and charges payable by airlines operating at the Airport, Airport staff must calculate the aggregate actual financial benefits conferred in the form of fee and rent waivers to all the airlines that participated in the Incentive Program during the previous Fiscal Year. If the amount of aggregate actual financial benefits conferred exceed the authorized amount for that Fiscal Year, the financial benefits shall be prorated among all the airlines participating in the Incentive Program based on the percentage that results from dividing the total aircraft landed weight of each Eligible Airline for its Qualifying Flights during that Fiscal Year, by the aggregate landed weight of all Eligible Airlines for their Qualifying Flights during such period.

Any benefits actually conferred to an airline participating in the Incentive Program in excess of that airline's prorated authorized amount, if any, shall be paid by the airline to the City upon demand.

D. Retroactive payment of waived fees

If the eligibility of an airline that is participating in the Incentive Program is terminated by the Airport Director for failure to meet or maintain the requirements for participation, such airline must pay to the City an amount equal to the applicable Landing Fees and Terminal Building Rents, as the case may be, that were waived in accordance with the Incentive Program.