

SAN DIEGO - NORTH AMERICAN AIR SERVICE INCENTIVE PROGRAM

The North American Air Service Incentive Program (the "Program") is consistent with the mission of the San Diego County Regional Airport Authority ("SDCRAA") to:

- *Provide air transportation services to the region:* In the end, the incentive program's intent is to help San Diego travelers reach their destination in a more direct and efficient way.
- *Promote the region's prosperity:* New routes enhance airport revenues and have downstream impacts to the local region.

SCOPE OF NORTH AMERICAN AIR SERVICE INCENTIVE PROGRAM

The Program has two distinct components:

- 1) A landing fee credit ("Credit") to encourage flights from SDIA to new destinations, and
- 2) A marketing incentive ("Incentive") for additional flights from SDIA to new or existing destinations.

Program Requirements: In order to qualify for participation in the Program, the following conditions apply:

Requirements for Landing Fee Credit:

- To qualify for the Credit, the Airline must operate the route year -round to a new destination airport in the United States, Mexico, Bermuda, the Bahamas, the Caribbean or Canada.
- Only new destinations qualify for the credit.
- Only one annual Credit exists for each new destination.
The first carrier to commence operations on the new route to the San Diego International Airport will be the qualifying carrier. Should two (2) or more airlines commence the same qualifying service within a three-month period of the qualifying carrier, the single Credit percentage shall be equally divided among the carriers commencing service and continuing service for one year.
- The carrier(s) must operate the route for a minimum of one (1) year. If the carrier(s) fails to operate the route for one (1) year, the carrier(s) shall not receive the Credit.

- A maximum of seven (7) weekly frequencies (one daily frequency) can be credited per market for an airline; additional frequencies in the same market by one airline do not qualify.
- Each airline must have a minimum of two (2) weekly departures (annual average) to the destination airport in order to qualify for the Credit. Airlines may not cumulatively total their operations to qualify for the Credit.
- Seasonal Service that is extended to year-round service will be eligible for the landing fee credit provided year-round service is announced within the first three-months of start date and service continues for at least one (1) year. In this case, the Credit would be eligible from the original start date provided air carrier had not served the destination within the 18 months prior to start date. "Seasonal Service" shall mean any service that upon announcement: (1) is not operated on a published schedule pattern within every month of the year (January through December) and (2) is operated for more than 90 days but less than 365 days in one calendar year.
- Creditable Landing Fees shall be secured by an airline's filed letter of credit.
- The qualifying air carrier(s) must submit a letter of credit, which in the aggregate must cover at least six (6) months of expected landing fees for the new route.
- Airlines that transfer routes to/from their regional affiliated carriers and sell such routes under their brand shall not qualify for the Credit unless the route was added within the qualifying period of the Program.
- Should service on the route be terminated pre-maturely (before completion of one year), the SDCRAA shall be reimbursed for all landing fee credits committed to the airline for the route.
- A transfer of a flight from one airport to another airport within the same metropolitan area does not qualify. The standard census definitions of metropolitan statistical area (MSA) and consolidated metropolitan statistical area (CMSA) will apply in this case.

Requirements for Marketing Incentive:

- To qualify for the Incentive, the qualifying airline must initiate a new route from SDIA to a destination airport in the United States, Mexico, Bermuda, the Bahamas, the Caribbean or Canada.
- In addition to initiation of a new route, new non-stop flights to existing destination airports will also qualify even if nonstop service is provided by an incumbent carrier.
- New flights to existing destination airports will also qualify if nonstop service is provided by a competitive carrier and this carrier has not provided service to the destination within the past 18 months.
- Airlines that transfer routes to their regional affiliated carriers and sell such routes under their brand shall not qualify for the Incentive unless the route was added within the qualifying period of the Program.
- The route must be operated for a minimum of one (1) year or for Seasonal service routes a minimum of ninety (90) days.
- A minimum of two (2) weekly departures to the destination airport are required.

Seasonal service qualifies for the Incentive provided it operates for a minimum of ninety (90) days.

- Should service on the route be terminated pre-maturely (before completion of one year or one season), the SDCRAA shall be reimbursed on a pro-rated basis (365 day pro-rate for year-round service and 90 day pro-rate for seasonal service) for all Incentives invested.
- A transfer of a flight from one airport to another airport within the same metropolitan area does not qualify. The standard census definitions of metropolitan statistical area (MSA) and consolidated metropolitan statistical area (CMSA) will apply in this case.

Program Outline: The Program has been developed to be competitive with other airport programs and balances the interests of existing carriers and potential carriers. The program is available to all airlines currently at SDIA or those wishing to start service at SDIA.

- ***A Temporary Landing Fee Credit for a maximum of one (1) daily flight per market –***

First Year of Service:

- Any flight to a new destination airport in Canada, Mexico, the Caribbean, the Bahamas or Bermuda - 100% credit of landing fees for 12 months.
- Any flight to a new destination airport in the United States of America - 100% credit of landing fees for 12 months.

Second Year of Service:

- Any flight to a new destination airport in Canada, Mexico, the Caribbean, the Bahamas or Bermuda - 50% credit of landing fees for 12 months.

Validity Period of Landing Fee Credit

- For new destination airports in the United States, the landing fee credit incentive program shall only be valid for new routes to destinations not already being served and commenced between September 4, 2009 and December 31, 2010, unless renewed by the SDCRAA Board of Directors.
- For new destination airports in Canada, Mexico, the Caribbean, the Bahamas or Bermuda, the landing fee credit incentive program shall be ongoing unless cancelled by the SDCRAA Board of Directors.

Provided the airline is not in default and has no rents or fees owing under its Airline Operating Agreement or other agreements it may have with the SDCRAA, the landing fees for the qualifying flight(s) remitted to the SDCRAA will be credited toward future airport rents and/or fees. Should the airline terminate the qualifying service pre-maturely, all credits granted (whether applied or unapplied by the Airline) shall be voided and Airline shall be responsible for full payment of all rents and fees accrued since inception of the qualifying service, as well as any further payments due SDCRAA. The qualifying air carrier must submit a letter of credit, which in the aggregate must cover at least six (6) months of expected landing fees for the new route.

- ***Marketing Incentive*** – Flights to new destination airports will qualify for an Incentive in the first year of service. New flights to existing destination airports will also qualify if nonstop service is provided by a competitive carrier and this carrier has not provided service to the destination within the past 18 months. The Incentives shall be utilized solely for the purpose of promoting the new San Diego route in TV, radio, print and/or internet marketing campaigns. Airlines applying for the Incentive must agree to editorial oversight by the SDCRAA. All marketing materials and/or promotions funded by the Incentive shall be pre-approved in writing by the SDCRAA prior to publication. Incentives utilized for this purpose will be pre-approved by the SDCRAA and will advertise service specific to the new San Diego route. Should service be suspended prematurely, airline shall be responsible for pro-rated (365-day pro-rate for year-round service and 90-day pro-rate for seasonal service) reimbursement of all marketing funds spent. Marketing incentives will only be given upon substantiated invoices from the air carrier.

Methodology of Marketing Incentive

- Any flight to a new international destination airport in Canada, Mexico, the Caribbean, the Bahamas or Bermuda shall qualify for a total marketing incentive not to exceed \$60,000 per route.
- Any flight to a new destination airport in the United States shall qualify for a total marketing incentive not to exceed \$35,000 per route.
- A new flight to an existing international destination airport (Canada, Mexico, the Caribbean, the Bahamas and Bermuda) in North America offered by a competitor airline shall qualify for a marketing incentive not to exceed \$35,000 per route.
- A new flight to an existing domestic destination airport offered by a competitive airline shall qualify for a marketing incentive not to exceed \$25,000 per route.
- Computation of the Incentive will be based on the announced schedule. Should the airline materially down-gauge the frequency and/or size of aircraft on the route, surplus marketing funds shall be returned on a pro-rated basis. For the purposes of this policy a material down-gauge shall be construed as a frequency

and/or size reduction of greater than 20%. This provision applies only in cases where the route is to a destination in the United States.

- Incentives referenced above shall be calculated based on frequency and size of aircraft, and calculated based on written objective standards as determined by the SDCRAA President/CEO and shall be applied consistently and fairly.
- In addition to any route marketing incentive, any new airline that otherwise meets the criteria for the Incentive by establishing operations at SDIA shall also receive a new airline marketing incentive of \$25,000 and a 50% discount on costs related to the installation of airport directional signage. A new airline shall be defined as any airline that has not offered scheduled service at SDIA within the prior 18 months.

Validity Period

- The Air Service Marketing Incentive Program shall be ongoing unless cancelled by the SDCRAA Board of Directors.