1. Purpose and Predicated Conditions to Fulfill MOU

A. This Memorandum of Understanding (“MOU”) describes certain business terms and conditions as a framework for the preparation of a definitive agreement between the City of Kansas City, Missouri (“City”) and airlines signatory to the existing Use and Lease Agreement (“Airlines”) covering the design, financing, construction, and operation of the Terminal Modernization Program (“TMP”) at the Kansas City International Airport (“Airport”) as further defined below.

B. It is the intention of the parties to this MOU to engage in good faith negotiations leading to execution of such definitive agreement (“Final Agreement”) between City and Airlines consistent with this MOU.

C. This Final Agreement will be predicated upon the approval of:

1. City of Kansas City, Missouri City Council (“Council”), and;
2. Voter referendum for the sale of Airport Revenue Bonds by the citizens of Kansas City, Missouri.

D. It is the collective recommendation of the Airlines that a new single terminal, and associated improvements, be constructed in substantial form and function as depicted by New Terminal-A concept (“NT-A”), as further described below.

The Airlines, along with the Airport, have to date, invested considerable time, effort and money in evaluating and recommending the most cost-efficient, customer friendly, future oriented Airport concept feasible for the passengers and Airlines of Kansas City. It is with this industry expertise that the NT-A concept has been arrived at without disagreement among the Airlines and Leadership Committee as specified in Exhibit K under the 2014 Master Amendment to the Use and Lease Agreement. The Airlines are willing to invest in this concept and do not support other alternatives that are not substantially similar to NT-A. Therefore, in the event that Council and/or voter referendum does not agree to the new single terminal concept, as recommended by the Airlines, then this MOU shall cease and be null and void of any implementation.

2. Exhibit K Process Results

The planning results of Exhibit K to the Use and Lease Agreement require the Aviation Department and the Airlines to make two recommendations to the Mayor and City Council: (1) a recommended terminal modernization concept, and (2) a proposed implementation plan, defined scope, schedule, budget, and financial plan, including a Target Total Annual Airline Requirement projected over the first 5 (five) years after the date of beneficial occupancy (“DBO”) of the improved terminal facilities and Maximum Program Construction Cost. The results of this process are described in Sections A. and B. below.

A. General Description of TMP
The TMP shall be substantially in concept and configuration as depicted in NT-A (see Attachment A, NT-A Concept) and meet the facility requirements as established through the Use and Lease Agreement, Exhibit K process. The TMP shall substantially consist of the following project elements:

A. Terminal access will be provided from the existing airport roadway system.
B. A two-level terminal roadway serving arriving and departing passengers achieving required curb length. Separate commercial curbs will be provided to serve courtesy shuttle services, rental car buses, public buses and other commercial ground transportation requirements.
C. Approximate 750,000 square foot terminal facility, including curbside, ticketing lobby, TSA compliant security screening checkpoint, TSA compliant in-line Checked Baggage Inspection System and associated support areas, baggage claim areas, and associated support functions. Facility to include secure concourses providing concessions and customer amenities, capable of providing 35 ADG III aircraft (including 4 City-controlled, internationally capable gates and associated Federal Inspection Services (“FIS”)) with expansion option to 42 gates and Airline operational support facilities incorporated to successfully operate and maintain terminal-related functions.
D. Airline equipment to address air carrier operations in the terminal, including passenger boarding bridges, aircraft support systems (e.g., pre-conditioned air, ground power, potable water, etc.), communications infrastructure, common use communications system for City-controlled gates, information display systems (e.g., flight information display systems, baggage information display systems, etc.), inbound and outbound baggage handling systems, and applicable tenant finishes.
E. Terminal aircraft apron and non-movement areas sized to accommodate aircraft fleet, dual taxilanes as appropriate, to accommodate B757 aircraft, connections to taxiways, adequate remaining overnight (“RON”) aircraft parking positions, and approximately eight (8) common use deicing pads and associated collection system.
F. Aircraft in-ground hydrant fueling system to service the 35 gates with a connection to the existing aviation fuel farm system. New system will include piping, isolation valves, fuel pits, emergency shut-offs and meet current environmental requirements.
G. Multi-level public parking structure with approximately 6,500 parking spaces adjacent to the terminal, and connected to the landside terminal via pedestrian walkways and a pedestrian tunnel. Covered pedestrian walkway from Terminal B garage to terminal.
H. Close-in public surface parking with approximately 2,000 parking spaces within walking distance of the terminal.
I. Associated site development, including relocation of pipelines, natural gas lines, communications facilities, and electronic transmission lines; demolition of Terminal A; environmental mitigation (if any); site grading and drainage; fencing; construction access roads and staging areas, among other things.
J. Plan will incorporate maintenance of operations and phasing plan to ensure operations in Terminals B & C are maintained during construction.

B. Exhibit K Financial Feasibility – Target Total Annual Airline Requirement

The Target Total Annual Airline Requirement required by Exhibit K to be jointly agreed upon by the City and the Airlines is estimated to be approximately $69.33 million (in 2022 dollars) excluding amounts related to providing a rolling coverage account. This target shall be revised
and finalized jointly by the City and the Airlines as part of the Final Agreement, including a mechanism to adjust such amount based on agreed-upon scope and budget changes.

3. **Final Agreement**

The parties commit to completing negotiations of a Final Agreement no later than April 30, 2017. For an agreement to be presented to Council authorizing the Director of Aviation to execute the Final Agreement, a Majority in Interest of Airlines (“**Final Agreement MII**”) must agree to execute the Final Agreement. Such Final Agreement MII shall consist of at least 50% of the Airlines (in number) that collectively account for at least 50% of rates, fees and charges paid by Airlines during the previous twelve (12) months ending December 31, 2016.

The Final Agreement shall consist of the following elements, which are outlined below and more fully described in the following sections:

   A. A residual rate-making methodology.
   B. Airline approval rights over additional capital expenditures not included as part of the TMP.
   C. A jointly agreed upon scope, schedule and budget for the TMP.
   D. A jointly agreed upon financing plan to support implementation of the TMP.
   E. TMP implementation cost controls and oversight.
   F. A consolidated airline tenant improvement program to be managed and implemented by the Airlines.
   G. An Annual Renewal and Replacement Fund to insure airport facilities remain in operation during the term of revenue bonds issued to finance the Airport.

4. **Term of Final Agreement**

The term (“**Term**”) of the Final Agreement is anticipated to begin on or about May 1, 2017 and extend through the first four (4) full Fiscal Years beyond the first full Fiscal Year after the DBO of the TMP. There shall be an option to extend the Term of the Final Agreement by two (2), two (2) Fiscal Year periods with mutual consent of City and Airlines. The Final Agreement will provide Airlines with the opportunity to adjust terminal leased premises after the 3rd anniversary, at DBO, at the 8th anniversary of the Term and upon execution of each exercised renewal period.

5. **Conditions of Final Agreement**

   A. The Final Agreement’s business arrangement shall provide for an Airport System residual-cost ratemaking methodology as part of a new long-term Use and Lease Agreement. The Airport System consists of the Airport and Kansas City Charles B. Wheeler Downtown Airport (identified as Exhibit “H” in the current Use and Lease Agreement). The City intends to cap the amount of net expenses attributed to the operation, maintenance, and development of Kansas City Charles B. Wheeler Downtown Airport as recovered from Airlines at the Airport, which amount shall be indexed for inflation. Under this residual-cost ratemaking approach, the Airlines collectively agree to assume significant financial risk. The Airlines shall keep the Airport System financially self-sustaining by making up any deficit, the residual cost, remaining after the costs identified for all airport users have been offset by nonairline sources of revenue, and to further insure that Airport System revenues are sufficient to be in compliance with the rate covenant of the General Airport System Revenue Bonds Master Bond Ordinance.
B. Prior to DBO, Airlines, through their Airport rates and charges, may provide incremental funds totaling approximately $40 million that will be segregated by the City in the Extension and Bond Retirement Account (“Pre-DBO Funds”) and held for specific purposes as shall be determined by a majority in interest of Airlines, which may include, among other things, extinguish the General Airport Revenue Bond Series 2013A (Non-PFC Portion) subsequent to their call date of September 1, 2021, provide liquidity to potentially delay borrowing, provide contingency funding (if needed), reduce borrowing for the TMP, fund the Coverage Deposit Account, and/or fund the cost of tenant improvements. The rates and charges of any airline that commences service to the Airport after the collection of Pre-DBO Funds commences shall be subject to an annual surcharge on its post DBO rates equal to the amount of Pre-DBO Funds collected as of the point in time such airline commences service amortized over a five (5) year period.

C. The City will include $5.9 million in funding for an Airline consolidated tenant improvement (“CTI”) program so the costs of finishing Airline spaces, exclusive, preferential and common, will be included in the cost of the TMP and recovered from each Airline based on a measure of each individual Airline’s use of CTI program funding.

D. The Revenue Bonds shall not be or constitute a general indebtedness of the City. Neither the general faith nor taxing power (including ad valorem taxes) are pledged to the payment of the Revenue Bonds and the City shall not be under any obligation to pay the principal or interest except from revenues of the Airport System as pledged to the payment of the bonds.

6. Cost of the TMP

The total cost to construct NT-A is estimated to be approximately $950M in 2015 dollars (“Base TMP Cost”). Attachment B, TMP Cost Estimate details the NT-A cost estimate. The parties agree to authorize an amount not to exceed $975M in 2015 dollars (“NTE TMP Cost”). In order to exceed the Base TMP Cost, certain project controls and oversight must be accomplished and maintained. TMP controls and oversight is further described below. In order to surpass the NTE TMP Cost, a majority in interest of Airlines must be obtained. The Base TMP Cost and NTE TMP Cost shall be calculated from time-to-time over the course of the design and construction period on the basis of the then-current cost estimate and an index to reset such cost to 2015 dollars. In the event that a TMP majority in interest of Airlines agrees to scope changes that increase or decrease project costs, the Base TMP and NTE TMP Cost shall be adjusted upward or downward accordingly.

7. Financing of the TMP

A. The TMP may be financed with a combination of Federal Aviation Administration (“FAA”) Airport Improvement Program (“AIP”) grants-in-aid, Transportation Security Administration (“TSA”) grants, Passenger Facility Charge (“PFC”) pay-as-you-go revenues, Revenue Bonds (including those backed by PFCs), and if applicable pay-as-you-go advance funding by the Airlines.

B. The City shall seek authorization to apply for PFC funding at the highest PFC level generally allowable (i.e., excluding pilot programs) during the financing of the TMP. The City agrees to optimize PFC pay-as-you-go and leveraging for the TMP to achieve the most advantageous
outcome and to use reasonable efforts in its debt financing to achieve level overall debt service both during and beyond the term of the Final Agreement.

C. Airlines agree to support the City’s efforts to pursue an AIP Letter of Intent (“LOI”) and TSA grant funding for the TMP, if such option is available.

8. TMP Cost Controls and Oversight

A. The parties agree to review and thoroughly analyze the suitable project delivery method(s) for each specific TMP project element (Terminal, Parking, Airside Civil, Landside Civil, Aircraft Hydrant Fueling, Environmental De-Icing requirement, Airline Equipment (passenger loading bridges, baggage systems, common use kiosks on City gates and ticket counters), Airline consolidated tenant improvements, etc.) which are lawful and permitted within City ordinances and FAA rules and regulations, including the rules related to use of AIP grants and PFCs. Project delivery method(s) may include design-bid-build (“DBB”), design-build (“DB”), Construction Manager at Risk with a Guaranteed Maximum Price (“CMR/GMP”) or any other delivery method(s) that are deemed appropriate and provide the maximum economic benefit to the TMP.

B. City, working through its Aviation Department, shall hire a Program Manager (“PM”) that reports directly to the Deputy Director of Aviation – Planning & Engineering who is responsible for assisting the Aviation Department in managing design and construction contracts, preparing cost estimates, budgeting and monitoring, construction phasing, preparing quarterly reports to monitor the status of design and construction contracts and associated cost estimates, among other things, to provide for a complete facility (to meet all essential Airline, other tenant(s) and airport operational requirements upon occupancy), and other activities as are deemed necessary to maintain TMP schedule and budget.

C. Airline shall procure an Airline Technical Representative (“ATR”) to be integrated as part of the overall TMP team and serve as the single point of reference to coordinate with the Airlines and collectively represent the Airlines during the TMP. The ATR may potentially manage TMP project elements as mutually agreed upon by the Aviation Department and Airlines. The ATR will serve in this role until the earlier of (1) the time at which a simple majority of Airlines agree to replace the ATR; (2) the time at which a simple majority of Airlines agree these services are no longer needed; or (3) the TMP is complete.

D. There shall be two (2) organized committees; (1) Steering Committee (“SC”), and; (2) Program Management Committee (“PMC”). The SC will be an extension of the current Leadership Committee consisting of four Airline representatives (the AAAC Chair and three additional Airline representatives), Deputy Director of Aviation – Finance, Deputy Director of Aviation – Properties & Commercial Development, and Deputy Director of Aviation – Planning & Engineering. The Airline representatives of the SC may be rotated as the AAAC Chair and other Airlines deem appropriate. For all SC issues requiring a decision, the Airlines will have one vote (based on a simple majority of the four Airline representatives) and the City will have one vote (based on a simple majority of the three City representatives), however any decision arriving out of the SC must be unanimous.

E. The SC will (1) provide general oversight to the PMC; (2) meet on a regular basis not less than monthly to review the progress of the TMP with respect to scope, schedule, budget and financial
plan; (3) review a monthly schedule and cost report prepared by the PMC; (4) vote on TMP change orders that increase the TMP by some mutually agreeable threshold or result in a change in scope that has a material impact to airline operations; (5) review and work to resolve issues to assure the schedule for the TMP is maintained.

F. The PMC consists of the Deputy Director of Aviation - Planning & Engineering, PM, and the ATR who will meet at least weekly to coordinate its efforts and to provide the SC with its requested information necessary to make educated decisions during the TMP. The PMC shall have the approval capacities, within agreed to time limitations, to approve individual change orders or scope alterations up to an agreed to dollar amount. Those items and/or scope changes that exceed the agreed to threshold of the PMC shall be referred to the SC.

G. There shall also be formalized policies and procedures documents to be followed in implementing the TMP, including but not limited to:

1. Organizational structure and key personnel
2. Roles, responsibilities, and procedures of the SC
3. Roles, responsibilities, and procedures of the PMC
4. Project budget procedures and reporting system
5. Project scheduling procedures and reporting system
6. Design coordination and control procedures
7. Program documentation and filing procedures
8. Tenant coordination procedures
9. Permitting procedures/construction site access
10. Procurement procedures and status reporting system
11. Accident reporting procedures
12. Field inspection and quality control procedures
13. Progress payments procedures
14. Change Order procedures
15. Other procedures as deemed necessary

9. Capital Improvement Program Not Including TMP

As part of the Final Agreement there shall be an approved Capital Improvement Program (“CIP”) for other relevant and necessary capital projects that do not involve the TMP. As projects are completed, needs change and additional projects are warranted, City shall present a Revised CIP at least annually. In the event that the Airlines do not agree with the City requested revisions, City may request a majority in interest be obtained from the Airlines in order for the Revised CIP be approved and authorized. Certain capital expenditures shall be permitted to be undertaken by City at any time and shall not be subject to consideration or disapproval by Airlines as is customary for such, including but not limited to, projects that have been pre-approved in the Final Agreement, that are necessary or prudent to ensure compliance with a rule, regulation, or order of any federal, state, or other governmental agency and projects that would not impact the calculation of airline rates and charges.

10. Annual Renewal and Replacement Fund

As part of the Final Agreement there shall be an established Annual Renewal and Replacement Fund (“R&R Fund”) which shall be used to pay for (1) renewals, reconstruction and replacement of any
facilities and other reasonable expenses (engineering) incurred in connection therewith, (2) acquiring and installing or replacing equipment, (3) unusual or extraordinary maintenance or repairs, (4) and premiums on insurance carried under the provisions of the Final Agreement.

11. **Consensus in Principle**

The above terms and conditions are provided to document consensus in principle reached in the course of verbal negotiation and represent only the parties’ intent as to these business terms for purposes of initiating a process to negotiate in good faith the specific terms and conditions of the Final Agreement. The provisions of this MOU are not legally enforceable until such time as they are incorporated into a duly approved and executed Final Agreement making this MOU a non-binding agreement between the City and the Airlines.
ATTACHMENT A

NT-A CONCEPT
MOU – Terminal Modernization Program
Kansas City International Airport
# ATTACHMENT B
## TMP COST ESTIMATE
### (2015 DOLLARS)

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<tr>
<th>Category</th>
<th>Cost</th>
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