II. BUSINESS PLAN

1. INTRODUCTION

The purpose of the Business Plan component of the Program is to create the business strategy to assist the Trust in promoting the City of Oklahoma and the Will Rogers World Airport, and to specifically address Airport land leasing protocols, policies and procedures to be used by the Trust in the implementation of the Program. The Business Plan is intended to apply to the development of new direct aviation uses and non aviation uses of Airport property under future ground leases of Airport property classified by the FAA as "future airport development land" needed in conjunction with the operation and maintenance of the Airport, and specifically includes the property located in the Development Area. The Business Plan does not address the development of core business facilities (such as passenger airline terminals, passenger airline parking facilities, rental car facilities, etc.) nor does it address the sale of any Airport lands.

The Business Plan outlines the results from the (1) review of on-airport development opportunities and constraints related to FAA requirements and approvals, (2) classification of land use types (highest and best uses) for both aviation (aeronautical; and commercial air cargo) uses and non-aviation commercial (retail, office, and industrial) uses, (3) creation of land use categories for purposes of establishing an appropriate rates, fees and charges schedule, (4) development of infrastructure refunding program and common area maintenance program, (5) identification of incentive program criteria, (6) development strategies and processes, and (7) review of best industry practices for development of airport properties. As a result of the creation of the Business Plan, new land leasing policies and criteria that reflect the goals and objectives of the Trust were developed. The criteria for aeronautical uses is reflected in the Airport's Minimum Standards for Aeronautical Activities, and the criteria for the aviation and non-aviation commercial uses (retail, office, industrial and commercial air cargo) is reflected in the Airport's Commercial Land Leasing Policy.

The Business Plan (and the resulting Minimum Standards and Leasing Policy) was developed to provide flexibility to changing market conditions related to development of Airport property, changes to federal, state and local laws and regulations pertaining to Airport development, the dynamics of the aviation industry, and economic forces affecting commercial development. Therefore, the Business Plan, the Minimum Standards and/or the Leasing Policy may be reviewed, modified, and updated on a regular basis.

2. FEDERAL REQUIREMENTS

The Airport Improvement Program is authorized by Chapter 471 of Title 49 of the United States Code (U.S.C.). The *FAA Airport Improvement Program Handbook* (FAA Order 5100.38C), dated June 28, 2005, provides guidance and sets forth policy and procedures to be used in the administration of the AIP and provides funding for airport planning and development projects. The *FAA Compliance Program* (Order 5190.6B), dated September 30, 2009, hereinafter referred to as the "Order", is designed to monitor and enforce federal obligations agreed to by airports in exchange for valuable benefits and rights granted by the United States, including the direct grants for the acquisition of land for airport purposes under the AIP. These federal obligations are designed to ensure that the public interest in civil aviation is served.

A. Grant Assurances

As of September 2009, there were thirty-nine (39) numbered grant assurances ("Grant Assurances") that apply to federal airport development grant agreements. Several of these Grant Assurances are particularly relevant to the Business Plan and are briefly identified as follows:

- Grant Assurance 5, *Preserving Rights and Powers*, the Airport cannot take any action that may deprive it of its rights and powers so it can direct and control airport development. Grant Assurance 5 requires the Airport not sell, lease, encumber, or otherwise transfer or dispose of any part of its title or other interests in the property shown on Exhibit "A" without the prior approval of the FAA.

- Grant Assurance 21, *Compatible Land Use*, the Airport is obligated, to the extent possible, to ensure compatible land use both on airport and off-airport.

- Grant Assurance 22, *Fair and Reasonable Terms*, the Airport is required to operate for the use and benefit of the public and is to be made available to all types, kinds, and classes of aeronautical activity on fair and reasonable terms and without unjust discrimination. The prohibition on unjust discrimination does not prevent the Airport from making reasonable distinctions among users and assessing different fees on certain qualifications or categories of users based on those distinctions. This assurance is specifically applicable to aeronautical activities and has been generally adopted as best practice for non-aviation activities.

- Grant Assurance 23, *Exclusive Rights*, the sponsor of a federally obligated airport "...will permit no exclusive right for the use of the airport by any person providing, or intending to provide, aeronautical services to the public. It further agrees that it will not, either directly or indirectly, grant or permit any person, firm, or corporation, the exclusive right at the airport to conduct any aeronautical activities..."

- Grant Assurance 24, *Fee and Rental Structure*, provides, in pertinent part, that the sponsor of a federally obligated airport "will maintain a fee and rental structure for the facilities and services at the airport which will make the airport as self-sustaining as possible under the circumstances existing at the particular airport ... " In addition, the Airport must charge fair market value ("FMV") rents for non-aviation uses of airport land and facilities whenever a non-aviation use is justified and approved by the FAA.

- Grant Assurance 25, *Airport Revenues,* dictate that revenues generated by a public airport must be expended solely for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner or operator and directly and substantially related to the air transportation of passengers or property.

- Grant Assurance 29, *Airport Layout Plan*, requires the Airport to keep up to date at all times an ALP of the Airport. Specifically, Grant Assurance 29 requires the Airport to show on its ALP the boundaries of the Airport and all proposed additions thereto, and the location of all existing and proposed non-aviation uses.

B. Revenue Use

The *FAA's Policy and Procedures Concerning the Use of Airport Revenue,* 64 Fed. Reg. 7696, February 16, 1999, addresses the allocation of indirect costs, discusses permitted uses of airport property, and lists prohibited uses of airport revenues. The policy clarifies certain allowable uses of airport revenues and provides guidance on reporting and auditing requirements, cost allocation practices, and monitoring and compliance procedures.

The allowable use of revenue to develop airport land is clear for land that serves a direct aviation purpose (use of airport revenue is allowed for the development of this land and revenue generated from this land must be used for airport purposes). The use of airport revenue to develop land not used for direct aviation purposes (developing land set aside for noise buffers) requires FAA approval.

To further support the Program goals pertaining to continued FAA compliance with respect to use of Airport revenues, the Trust has established a distinct cost center accounting fund to specifically account for the funds allocated to and the revenues received from the aviation and non-aviation commercial land leases in the Development Area. This separate cost center accounting will (1) demonstrate that Airport revenues associated with airline rates and charges are not used for non-aviation commercial development, (2) provide a transparent accounting for all funds associated with non-aviation commercial leasing activities at the Airport, and (3) further demonstrate compliance with applicable Grant Assurances and FAA requirements pertaining to revenue use.

C. Land Use Classifications

The Airport Airway Improvement Act of 1982 (Public Law 97-248) states that airports may retain land purchased with federal funding as future airport development land if it is needed for aviation purposes, serves as noise buffer land, or prevents the introduction of non-compatible land uses. Airports may develop such future airport development land for "concurrent commercial development uses" (as set forth in the Order) if revenue from any use (whether interim or long term) of such land contributes to the financial self-sufficiency of the airport and the airport has made in good faith effort to derive optimum revenue from such use.

The Master Plan classifies the Development Area as Future Airport Development Land suitable for direct aviation uses and "concurrent commercial development" uses. Utilizing the principles and requirements of the federal regulations and in coordination with the FAA, the Project Team created four land use classifications ("Classifications") for uses of Development Area properties reflected in the Land Use Plan. These Classifications are intended to identify the proposed uses for the Airport property located in the Development Area and to obtain FAA approval (as required by the Order) for the concurrent commercial development of land not used for direct aviation purposes. The Classifications were presented to the FAA by the Project Team and are set forth in the FAA letter of support, attached hereto as Attachment A. General descriptions of the Classifications are as follows:

- ***Direct Aviation.*** Direct Aviation development is designated as aviation use, and includes taxiways, taxilanes, ramp, access infrastructure, base infrastructure and other facilities or amenities for passenger air service, general aviation, aircraft maintenance, aircraft manufacturing, commercial air cargo, and other direct aviation facilities requiring access to the airfield.

- ***Direct Aviation Support.*** Direct Aviation Support development which may or may not require direct access to the airfield can be designated as either aviation or concurrent commercial use, including facilities for companies providing logistics, materials, cargo warehousing/distribution operations and other ancillary support for direct aviation uses, and providing such services for direct aviation users, including the passengers, employees, agents and contractors, guests, and the tenants of the Airport.

- ***Indirect Aviation.*** Indirect Aviation development is designated as concurrent commercial use, including offices, industrial facilities, retail, and similar facilities which do not have airfield access, on land not currently needed for direct aviation development. The primary purpose for these areas is to ensure an adequate noise buffer and to retain the property for future direct aviation uses if required, and to provide goods and services for the direct aviation users, including the passengers, employees, agents and contractors, guests, and the tenants of the Airport.

- ***Non-aviation.*** Non-aviation development is designated as concurrent commercial use, including offices, industrial facilities, retail, and similar facilities which do not have airfield access, on land not currently needed for direct aviation development. The primary purpose for these areas is to ensure an adequate noise buffer, and ensure land development and uses compatible to direct aviation and direct aviation support uses. In addition, concurrent commercial non-aviation development is desired to generate

> non-airline related revenues to enhance the overall revenues of the Airport, and thereby promoting the growth of air service, and ensure the Airport remains self sustaining. The Airport revenues obtained from concurrent commercial non-aviation development will be used to develop required infrastructure for the Development Area and as a source of repayment for infrastructure funding incurred by the Trust for land development under the Land Use Plan.

The Trust and the FAA further agreed that the Trust will continue to provide to the FAA all updated concept plans and leasing programs developed for the Land Use Plan, for approvals as may be required. Any deviation from the above described Classification of land development for the Development Area will be presented to the FAA for independent consideration. The development of any property in the Development Area, including concurrent commercial non-aviation development, does not have the effect of releasing the property from any term, condition, reservation, restriction or covenant of any applicable FAA compliance agreement.

Furthermore, the Trust will continue to coordinate with the FAA for airspace analysis, environmental requirements, compatible land use reviews, and other obligations under the Grant Assurances. As stated above, all revenue generated by facility development in the Development Area will be applied to the development, operations and maintenance of Airport facilities.

Provided that the actual uses resulting from the development of land in the Development Area are consistent with the uses authorized by the FAA for the Program (and provided that all other federal requirements pertaining to environmental compliance, etc. are met), it is anticipated that individual parcels leased for non-aviation commercial development will not need to be individually approved by the FAA. The ALP and other corresponding FAA documents will be updated as each parcel is developed.

D. Land Leasing Principle

As described above, FAA approval for development of all parcels located in the Development Areas is subject to the Trust's ability to demonstrate compliance with all applicable federal requirements including Grant Assurances. Since the land lease Classifications approved by the FAA represent the potential for a variety of aviation and concurrent commercial non-aviation development uses, and therefore a variety of leasing terms and conditions, the Trust desired to develop an overall principle to reflect the parameters for land leases at the Airport.

The Classifications of property, together with the provisions contained in the applicable Grant Assurances related to the lease of airport properties and the setting of rates and charges, provided the direction for the establishment of the Land Leasing Principle for the Airport, as follows:

The Trust, through the Airport Director, shall make Airport properties available for lease on fair and reasonable terms without unjust discrimination. The prohibition of unjust *discrimination does not present the Airport from making reasonable distinction among users based on certain qualifications and categories of users and assessing different fees based on those distinctions.*

3. RATES AND CHARGES PROGRAM

Airports have a requirement to be as self-sustaining as possible and to ensure that the airport maintains a rate and fee structure that conforms to the Grant Assurances and is consistent with the *FAA's Policy Regarding Airport Rates and Charges*, 61 Fed. Reg. 31994, June 21, 1966, and as amended at 73 Fed. Reg. 40430, July 14, 2008. The requirement recognized that individual airports will differ in their ability to be fully self-sustaining, given difference in conditions at each airport. The purpose of the self sustaining rule is to maintain the utility of the federal investment in the airport.

The Order sets forth additional guidance with respect to airport rates and charges. Charges for aeronautical uses of the airport must be reasonable. For aeronautical users, the FAA considers charges that reflect the cost of the services or facilities satisfies the self-sustaining requirement. Accordingly the FAA does not consider the self sustaining obligation to require the airport to charge fair market value rate to aeronautical users.

Aeronautical fees for landside or non-movement areas airfield facilities (hangars and aviation offices) may be at a fair market rate, but are not required to be higher than a level that reflect the cost of services and facilities. In other words, those charges can be somewhere between cost and fair market value.

At some airports, market conditions may not permit the establishment of fees that are sufficiently high to recover aeronautical costs and sufficiently low to attract and retain commercial aeronautical services. Therefore, the airport should establish long term goals and targets to make the airport as financially self-sustaining as possible.

The FAA defines aeronautical use as all activities that involve or are directly related to the operation of aircraft, including activities that make the operation of aircraft possible, and safe. Services located on the airport that are directly and substantially related to the movement of passengers, baggage, mail and cargo, are considered aeronautical uses.

The Order also provides that rates charged for non-aviation use of the airport must be based on fair market value. Fair market fees for use of the airport, while required for non-aviation use of the airport, are optional for non-airfield aviation use. Fair market pricing of airport facilities can be determined by reference to negotiated fees charges for similar uses of the airport or by appraisal of comparable properties. The appraisers will need to account for airport restrictions when comparing on airport with off airport commercial non aeronautical property in making fair market value determinations.

If market rents for non-aviation uses result in a surplus, that surplus can be used to subsidize aviation uses of the airport. It is to the benefit of aviation and the traveling public that aviation users be able to use the airport at rates and charges below the cost of providing the aviation facilities and services if these are effectively subsidized by non-aviation revenues. The FAA has indicated that it promotes the practice of using non-aviation revenues to subsidize aviation activities since it reduces the economic impact on aviation users and the aviation public. All uses of the airport which are not defined by the FAA as aviation uses are considered to be non-aviation uses.

A. Industry Standards and Practices

There are four primary approaches or methodologies to establishing market based rental rates that are typically utilized throughout the industry for on-airport properties, as follows: (a) negotiation, (b) competitive proposal, (c) fair market value appraisal, and (d) market rent study.

Notwithstanding the fact that an airport can establish a final market based rental rate through a direct negotiation or competitive proposal, such methods by themselves do not guarantee the establishment of ground lease rental rates that can be consistently applied to the same categories of airport users. Therefore, an airport will benefit from baseline information derived from the fair market value appraisal and/or market rent study approaches when establishing a final rental rate based on negotiation or establishing a minimum rent in a competitive proposal process.

Furthermore, certain approaches are more suitable for the unique nature of aviation property, while other approaches are best suited for commercial development properties, as follows:

- ***Aviation Use.*** The property at an airport with direct access to the airfield that is available for development is truly unique in its characteristics from a commercial real estate development standpoint. Clearly the highest and best use for property with airfield access will be developments for aviation uses including but not limited to air cargo, aviation support, and aircraft manufacturing; and aviation support facilities for companies providing logistics, materials, cargo, warehousing or distribution operations, and other ancillary support for direct aviation uses. Airports offering property for lease to developers interested in development of direct aviation facilities establish rental rates that are competitive with other airports providing similar airfield access development opportunities.

  Often times, appraisers (especially appraisers who have little, or no, experience appraising airport properties) make the mistake of comparing on-airport (aviation) properties to off-airport (commercial, non-aviation) properties located near the airport or they make comparisons to properties that they think are related in use (but in fact, are not). In addition, inexperienced appraisers frequently fail to take into account the limitations associated with developing (and operating on) airport property (e.g., compliance with 14 CFR, Part 77 requirements) and/or they fail to recognize the benefit of having access to the airport infrastructure (e.g., runways, taxiways, ramp/aprons, etc.) that is typically funded through federal grants. These differences can have a dramatic impact values derived through the typical fair market appraisal process.

Therefore, consideration should be given to utilizing an appraisal approach only when dealing with commercial air cargo or other large commercial aviation users and to procuring more than one fair market value appraisal to determine a fee value range that might better reflect the value of the airfield access to the parcel. Appraisals are also appropriate when a value is specifically or legally needed (e.g., to facilitate the sale, acquisition, or financing of airport property or if a value is required by a lease, use, or operating agreement to calculate the rental rate).

A market rent study, on the other hand, is a streamlined approach used to determine an appropriate (market) rental rate for land and/or improvements for aviation property. The market rent study identifies comparable airports and a comparative analysis of rental rates is conducted. If properly performed, the information compiled and analyzed through the market rent study process is more than sufficient to establish an appropriate (market) rental rate. In addition, this approach is consistent with the FAA's policy whereby airport sponsors are given flexibility in establishing market rents and can set rents (for aviation properties) using any reasonable method. A rental rate established based on comparative analysis is typically subject to periodic increases through out the term of the applicable ground lease.

- ***Commercial Use.*** An airport's master plan identifies the property of an airport that is needed for the long term, primary business of the airport – aviation. Other property within an airport's boundaries but outside the envelope of property identified in the master plan for aviation is retained by airports to ensure an adequate noise buffer, and ensure land development and uses that are compatible with the primary aviation business of the airport. In many cases, the FAA supports certain concurrent commercial development of property outside the aviation designated property, since development of such property generates non-airline related revenues that enhance the overall revenues of the Airport, thereby promoting the growth of air service, and helping to ensure the Airport remains self sustaining. This concurrent commercial development is typically for indirect aviation and non-aviation uses, (office, retail and industrial).

  Airport property available for concurrent commercial development does not typically compete with other airports providing similar development opportunities, but competes instead with the local real estate development opportunities in the surrounding communities. Therefore, unless an airport has enabling legislation or requirements in its primary documents requiring rental rates based on a fully allocated cost methodology or other formula, fair market value appraisals are the preferred method for establishing market rents for concurrent commercial properties. Airports typically establish rental rates per square foot per year for land leases that are in relation to the fair market value of land for similar property on and outside to the airport. The ground lease rental rates are to be stated as a percent per year of appraised fair market value of the property to result or be as close to the same overall cost for the developer as the developer would incur purchasing available property for sale in areas surrounding the Airport. Ground lease rental rates are subject to periodic increases through out the term of the applicable ground lease. Additional rents may include a percentage of gross sales or activity-related fees.

- ***Public Purpose Uses – Governmental.*** Many airports create a specific category of airport property use for public, community purposes, or based on specific criteria for use by a governmental entity. The prohibition on unjust discrimination does not prevent an airport from making reasonable distinctions among users and assessing different fees on certain categories of users based on those distinctions. The Airport may make airport property available for temporary, public community purposes at less than fully allocated costs or fair market value when such community uses (1) meet the tests for compliance with federal regulations and grant assurances, and (2) do not compromise airport operations, development plans or financial objectives.

  Ground rentals established for this specific category of community purpose are distinct from any incentive program to support airport property development and are typically subject to periodic increases throughout the term of the applicable ground leases.

B. Factors Affecting Rates and Charges

Once an airport establishes the market rent methodology for the use and lease of airport property, there are several considerations that may affect the annual rental and/or the ground lease rental rates for a particular development project on airport property. Some factors affecting rates and charges include the following:

- ***Term***. The length of term of a ground lease can be directly proportional to the ground rental rates an airport can charge. Simply put, the greater the financial investment that is required of the developer, the longer the lease term will need to be to amortize the cost of improvements and generate a return on the investment. Since the leasehold property and all improvements revert to the airport sponsors at the end of the ground lease term, lease terms must be of sufficient length to provide an overall cost for the developer as the developer would incur purchasing available property for sale in areas surrounding the airport.

- ***Incentive Based Rental Rate***. An economic incentive based ground rental rate is the rental rate amount certain stakeholders of an airport may want an airport to charge to "stimulate" economic development or growth.

Typically the economic incentive rate is below the fully allocated cost of the airport for the property, and therefore the development is literally at the expense of the airport and may fail to meet the tests for compliance with federal regulations and FAA Grant Assurances. However, ground rental rates established on fair market rent methodologies can provide incentives based on reasonable distinctions among users within each on a case by case basis, which may result in a different fee structure charged between such users.

- ***Blended Rates***. Some airports charge a combined rent that encompasses all land and facility improvements (i.e., the entire leasehold)—this approach is commonly referred to as charging a "blended" rate because the rental rates for each of the various components of the leasehold (land and improvements) are not segregated. This approach is not representative of best management practices and should be avoided. In lieu of a blended rate, most airports assess a distinct facility rental based on fair market value appraisal of the facility improvements located on the site and owned by the airport.

- ***Prime Property***. Ground rental rates for airport property within the same general category of development use can differ from area to area at the airport. For example, airport property with airfield access that result in developments for direct aviation commercial warehouse facilities may have a higher rental rate than immediately adjacent properties for direct aviation commercial warehouse facilities that do not have airfield access.

- ***Improved Property***. Ground rental rates for airport property that is "site ready" with utility and roadway infrastructure to the site will require a higher ground rental rate than similarly situated property without supporting infrastructure. However, many airports choose to retain the same ground rental rate structure and provide economic reimbursements (like rent "credits") when a developer constructs utility and/or roadway infrastructure to the site which benefits the airport, the public or other tenants.

- ***Services***. For most airport property ground leases, ground rental rates reflect triple net terms, where the developer/tenant is responsible for all costs of maintenance and operations including utilities, insurance, and taxes related to the premises and the day-to-day operational activities. In the event the airport provides any services or infrastructure related to the premises, the same is typically referred to as "additional rent".

- ***Concession Fees***. In addition to the ground lease rental rate for a commercial aviation use or concurrent commercial use, some airports include a percentage of gross receipts derived from the aviation-related services provided at the site (ground handling, fueling, etc.), and/or retail sales.

- ***Assignment Fees***. Certain airports include provisions in the ground leases that provide additional revenues to the airport based upon certain actions taken by the developer. For example, an airport can require as a condition to an assignment of the ground lease, a premium payment by the developer/tenant/user of land based on the amount for which the consideration of the assignment to be paid to the developer/tenant/user exceeds the straight-line depreciated cost of the leasehold improvements and trade fixtures on the land leased. Certain airports also change a percentage fee on sublease revenue earned by the developer/tenant for an on airport facility.

C. Rate Making Methodologies

The Trust considered various methodologies for establishing market based ground and facility rents for Airport properties. Taking into consideration (1) the FAA requirements related to aeronautical and non aviation airport rates and charges (2) the types of existing property leases and the historical leasing program at the Airport, (3) the goals for the Program, and (4) the limitations imposed by the Grant Assurances, the Trust has established two general rate making methodologies for Airport properties as follows:

- ***Aeronautical Rate Method.*** An Airport Base Rate is established by the Trust from time to time for Direct Aviation uses, (save and except commercial air cargo); and qualifying Direct Aviation Support uses. This rate is determined based on the historical rates at the Airport, current market rents studies of comparable airports, and the costs associated with all operations, maintenance, capital outlays, debt service, reserves and amortization incurred for the sites.

- ***Fair Market Value Method.*** Fair Market Value Rents are based on appraisals obtained by the Trust for commercial air cargo uses, Indirect Aviation uses, and Non-aviation commercial uses of Airport property.

In addition to determining the methodology for establishing ground rents, the Airport wanted the ability to make reasonable distinctions among the current and future uses of Airport property when establishing the rates, fees and charges for ground and facility leases. Therefore, the Trust has established three general land lease categories of Airport property ("Category" or "Categories") as follows:

- ***Aeronautical Rents Category.*** Aeronautical rents are based on Airport Base Rates and are applicable to aeronautical users for Direct Aviation uses, (save and except commercial air cargo); and qualifying Direct Aviation Support uses of Airport property.

- ***Fair Market Value Rents Category.*** Fair Market Value Rents are determined by appraisal on a case by case basis and are applicable to aeronautical users for commercial air cargo uses of Airport property, and commercial users for Indirect Aviation uses and Non-aviation commercial uses of Airport property.

- ***Government Rents Category.*** Government Rents are determined on a case by case basis and are applicable to qualifying governmental agencies using Airport Base Rates or Fair Market Value Rents for Indirect Aviation uses and Non-aviation commercial uses of Airport property.

The three Categories and the resulting rate making methodology established for the Categories were developed taking into considerations the best business practices associated with each Category. The rates and charges methodology for each Category described in this Business Plan establishes a preferred rate making methodology but is not intended to restrict the Trust's ability to make reasonable distinctions among users within each Category on a case by case basis, which may result in different fees between such users. For any given development within each Category, such developer/tenant/user may be afforded an incentive and/or may be assessed facility rents, additional rents, and percentage rents, as such additional charges are described herein.

4. AIRPORT INCENTIVE PROGRAMS

In determining the level of interest in leasing airport property for commercial development, commercial land developers are interested in understanding what economic incentives are available to them. In addition to an airport's commercially viable, market based development program, airport incentives based on specific criteria and consistently applied are useful tools in stimulating commercial development on airport property. In addition to airport sponsored incentives, local or regional economic development agencies may provide incentives for development on airport property, local municipalities may abate and defer utility or other infrastructure costs or use fees for infrastructure required for the development, local taxing jurisdictions may provide tax deferrals or abatements consistent with local qualification criteria (job creation) for development of airport property, and in some cases the State can provide economic incentives for specific developments on airport property. An airport will want to have information on all available incentives for airport development from these governmental agencies as a component of the marketing program for commercial development of airport property.

A. Categories of Development Incentives

Each community will have different details pertaining to incentives provided by economic development agencies and taxing jurisdictions, but some categories of development incentives provided by airports generally include the following:

- ***Pioneering Period***. Called by many different names at different airports, a pioneering period during a ground lease term is that period of time typically at the beginning of the lease term, where the ground rental or other rates and charges are reduced or deferred, providing the developer a specific period of time to develop and commence use or obtain a sublease prior to the initiation of the full rates and charges levels. This period of time may include only the facility development time frame, but can often extend beyond date of beneficial occupancy, allowing for a "ramp up" period after facility completion.

- ***Conduit Financing***. The enabling legislation of certain airports and airport sponsors can provide the ability to offer a financing arrangement for qualifying private developments on airport property.

- ***Ad Valorem Tax - Leasehold Interest Tax***. In situations where the ground lease provides that the leasehold improvements (facilities) made to airport property become owned by the airport on the date of substantial completion, the developer may be relieved of the ad valorem tax obligation for the value of the leasehold improvements and may (depending on local tax laws) be only obligated to pay taxes on the leasehold interest and the personal property held by the developer.

- ***Construction Management***. Subject to procurement related legislation and governing policies, in the situation where the developer has agreed to provide airport infrastructure to the development site that would have otherwise been an obligation of the airport (and in some cases could support other airport development), the airport could agree to provide fees (including profit) for the construction management services provided by the developer in addition to the reimbursement of the actual direct infrastructure costs.

- ***Incentive Based Rates***. An economic incentive based ground rental rate may be offered by the airport for a specific development at the request of a local authority to "stimulate" economic development or growth. Since the economic incentive rate is typically below the fully allocated cost to the airport for the property, such an offer may fail to meet the tests for compliance with federal regulations and FAA grant assurances, the airport will require additional funding from other sources outside the airport to apply to the required revenues for any ground lease designated with an economic incentive based ground rental rate.

- ***Brokerage Fees and Commissions***. Real estate brokerage fees and commissions can be used as a marketing tool in cases where market demand is not strong. However, due to the unique nature of airport leases as required by the FAA, many airports do not engage brokers to market airport property.

In the event the developer/tenant/user has engaged a site selection broker, the airport can require that the developer/tenant/user absorb the cost of such firm. Payment by the airport for the broker in these instances would be an additional economic incentive.

It is important that any airport sponsored incentive program meet the FAA guidelines to insure compliance with respect to non-discriminatory practices in user rates and charges.

B. Potential Airport Incentives

Consistent with the goals and objectives established for the Program, the Trust determined certain incentives provided by the Trust in the form of reduced or deferred rent would be appropriate when developing specific project business deals for development of Airport property ("Incentive"). The type of Incentive and the duration of an Incentive will be determined on a case by case basis, in the sole discretion of the Trust. Factors such as stimulating commercial development on Airport property, job creation, direct and indirect economic benefit for the Airport and the City, and type of proposed development will all be factors considered in the development of a specific Incentive.

While the Incentives set forth herein provide the framework for the types and duration of certain incentives, the Incentive program described herein is for the sole benefit of the Trust and the while the Trust will not unjustly discriminate between like users, the Trust in its sole discretion will determine whether or not to apply an incentive to any specific development. Furthermore, the Trust may modify any component of the incentive program for the benefit of the Airport operations at any time. The initial Incentives for property located in the Development Area include:

- ***Pioneering Period***. This Incentive is intended to stimulate specific development activity in certain property located in the Development Area, as may be designated by the Trust from time to time. This Incentive will apply only to certain parcels and will only be offered for a specific period of time. The Pioneering Period incentive will provide for reduced or deferred ground rental rates for a specific period of time of the individual lease term, as determined by the Trust on a case by case basis, and can be applied to Direct Aviation and Direct Aviation Support uses.

- ***Fee Value Range.*** With respect to developments in the Fair Market Rents and Government Rents Categories, individual properties (improved or unimproved) will be appraised for the determination of the high and low values per square foot of land ("Fee Value Range") during negotiations for development. The determination of the specific fee value for the property within the Fee Value Range shall by made by the Trust based on job creation, direct and indirect economic benefit for the Airport and the City, the type of proposed development, and the qualifications of the developer/tenant/user, ("Fee Value"). The determination of the Fee Value for individual properties will be made on a case by case basis. Even with the application of an Incentive, market value based rents consistent with FAA requirements will be applied to Airport properties.

- ***Airport Base Rate***. With respect to Direct Aviation uses (save and except commercial air cargo) and qualifying Direct Aviation Support uses, individual properties (improved or unimproved) leased for Aeronautical purposes will be subject to ground rental rates as set forth in the Minimum Standards which are based on current market rent studies of comparable airport rental rates ("Airport Base Rate"). Specific Incentives may be applied by the Trust on a case by case basis to the Airport Base Rate for the property based on job creation, direct and indirect economic benefit for the Airport and the City, the type of proposed development, and the qualifications of the developer/tenant/user. All incentives will be consistently applied to result in fair and reasonable terms and without unjust discrimination.

- ***Brokerage Fees and Commissions***. Real estate brokerage fees and commissions will not be paid by the Trust for the development of Airport property.

The Trust will continue to monitor the use of Incentives for Airport development to insure compliance with FAA guidelines with respect to non-discriminatory practices in user rates and charges, and the establishment of fair market value based rates.

C. Additional Incentives

Additional incentives may be provided by economic development agencies and taxing jurisdictions based on the criteria established by such entities. The initial categories of development incentives that may be available from other entities that were identified in the development of this Business Plan for property located in the Development Area include:

- ***Conduit Financing***. Conduit bond financing may be available on a case by case basis from the City's Economic Development Trust, and can be applied to aviation and non-aviation, commercial leases.

- ***Aviation Programs***. The EDGE Initiative (Economic Development Generating Excellence), the state's core economic development strategy, which has identified aerospace as a critical industry cluster, the Oklahoma Aeronautics Commission (OAC) which is a leader in the promotion of the state's aerospace and aviation industry, and the Oklahoma Aerospace Alliance, an association of more than 250 pubic and private entities formed to promote the development of Oklahoma's aerospace industry may be resources for incentive funding for certain qualifying developments.

- ***Local and Regional Economic Development Programs***. The City's Chamber of Commerce and the Regional Economic Development agencies will include the Development Area properties as areas eligible for economic development incentives for those developments meeting the economic development criteria and as may be deemed appropriate on a case by case basis.

- ***Tax abatements and Tax Deferrals***. The City and other taxing jurisdictions for the Development Area properties have established tax abatement and deferral programs for qualifying developments and such programs will be available for developments located in the Development Area.

- ***Foreign Trade Zone/Freeport Exemptions***. The Development Area is located in Foreign Trade Zone No. 106, and qualifying developments may take advantage of the tax advantages afforded by the FTZ upon application and approval of the Foreign Trade Zone Board of the Department of Commerce, USA.

5. INFRASTRUCTURE IMPROVEMENT PROGRAM

A. Infrastructure Funding Strategy

Establishing the infrastructure funding strategy for an airport commercial land development program requires not only the identification of funding sources for infrastructure (and related airport costs related to the ground leases) but also the determination of the cost benefit/return on investment for the direct costs incurred by the airport relative to the ground rentals and other fees received by the airport from the commercial development program.

Typically airports with a strategic development program have taken a long term business approach for the program, understanding that a significant financial investment for infrastructure is initially required to establish a program that will provide direct rental revenues and fees at the airport for decades in the future.

Communities owning the airport and/or surrounding airport property also obtain indirect economic benefit from the development of airport property and often participate in the funding of base infrastructure needed for airport development. Those airports without the ability to provide funding for base infrastructure development will trade off the ability to maximize airport revenues generated from commercial development, for the shifting of the airport infrastructure funding responsibility to a developer. Typical infrastructure funding sources include:

- ***On-Airport Infrastructure.*** The sources for infrastructure funding for installations and extensions of infrastructure located on airport property related to roadways, water, sanitary sewer and drainage (on airport infrastructure) have historically been either airport revenues (with approval of the FAA) or revenues from the governmental owner of the airport.

  In many cases, the infrastructure required for commercial development of airport property is not eligible for funding from the traditional FAA funding sources typically used for airport improvements (Grants, Airport Improvement Program proceeds, and Passenger Facility Charges). Therefore, if funding for installations and extensions of airport infrastructure is required to be provided by the airport, other sources of airport revenue (save and except rates and charges from airlines) or funds obtained through airport financings are commonly the primary source of funding. If allowed under the terms contained in the use and lease agreement with the airlines, and whether or not the cost of the infrastructure will be paid by airline rates and charges, airline consent may be required prior to using airport revenues for infrastructure funding. Also, depending on the enabling legislation for the airport an airport may be able to issue several types of debt instruments to finance infrastructure improvement in addition to the use of existing airport revenues.

The most common method used by a governmental owner to fund and construct installations and extensions of airport infrastructure on airport property related to roadways, water, sanitary sewer and drainage is to treat such work as a component of its governmental services available for all developmental property in the community. The governmental entity funds the improvements by some type of debt instruments and would recapture its investment through impact, tap or meter fees, and/or usage charges. However, to the extent allowed by State legislation, a governmental owner may be able to take advantage of tax increment financing, instituting a sales tax for economic development, or employ special assessments or public improvement districts to assist in funding airport infrastructure.

Gas, electricity, telephone, telecommunications and other utilities needed for on airport commercial development, are provided by private companies and are typically extended as airport properties are developed. The developer contracts directly for the service provider.

- ***Off-Airport Infrastructure***. Extensions of existing roadways, water, sanitary sewer and drainage from surrounding municipality to the airport boundary (off airport infrastructure) may in some instances be accomplished by an inter-local agreement; a formal agreement outlining each governmental entities' respective to accomplish mutual goals.

  Funding from State and Federal sources may also be available for certain types of roadway improvements, provided those facilities are part of a State for Federally designated system. Also, special assessments or public improvement districts are tools that allow local governments to levy and collect special assessments on property located within a designated geographic area, and can cover a wide array of improvements including construction costs and maintenance costs.

The Trust and the City anticipate active roles in assisting the development of Airport property for commercial land use due to its potential to facilitate job creation and economic development. Specifically, the initial infrastructure investment associated with roadways, water, sanitary sewer, and other base infrastructure improvements, whether funded by the Airport or the City, would be in compliance with applicable federal regulations, codes and ordinances of the City, and the laws of the State of

Oklahoma. The anticipated infrastructure construction for the Development Area is described below:

- ***City Funded Water Infrastructure.*** The City is considering the option to install the 48″water transmission line in conjunction with the realignment of Portland Avenue or elsewhere across the Development Area in accordance with standard specifications and all ordinances of the City.

- ***City Funded Infrastructure for Portland Avenue.*** The City shall fund all or a portion of the realignment of Portland Avenue. Funding for the City's portion of the project was included in the City's 2007 General Obligation Bonds and is anticipated to commence construction during calendar year 2010.

- ***Airport Funded Infrastructure for Development Area.*** The Trust, with the use of existing funds in the Airport's retained earnings, or other funding as authorized by the Trust and the FAA, will construct roadways, sanitary sewer, water distribution lines, and other base infrastructure improvements associated with the Development Area, and as appropriate other Airport property, on an as needed basis based on the infrastructure development phasing as anticipated in the Land Use Plan. As a component of the rates and charges program for the Development Area, the Trust will amortize the cost of Airport funded infrastructure, and recover a pro rata share of the cost from the developer/tenant/users as infrastructure improvement rent. Future ground rents and other revenues paid to the Trust for leases in the Development Area will be dedicated by the Trust to help fund future infrastructure requirements.

- ***Airport Funded Aviation Infrastructure Costs.*** The Trust, with the use of existing funds in the Airport's retained earnings, federal funding for AIP eligible project costs, or other funding as authorized by the Trust will construct airfield improvements or other base infrastructure (taxilanes, ramps, etc.) to support Direct Aviation development. The recovery of such costs shall be dependent on the type of improvements to support such development, and the specific lease terms of the development agreement or lease with the developer/tenant/user.

B. Airport Infrastructure Ownership and Maintenance Program

The Trust has historically transferred to the City the Trust funded and constructed infrastructure improvements which were then included in the City's infrastructure system for maintenance and repair. The Trust has historically retained ownership of and provided the maintenance and repair for direct aviation improvements or other infrastructure and such infrastructure was not included in the City infrastructure system. Consistent with the current infrastructure development program, the Development Area infrastructure improvement program will include the following:

- ***Water, Sanitary Sewer and Roadway.*** Ownership of City funded water, sanitary sewer, roadway, and other base infrastructure projects will be retained by the City. Upon completion of project, the ownership of Trust funded water, sanitary sewer, roadway, other base infrastructure projects will be transferred to the City to be included in the City's infrastructure system for maintenance and repair.

- ***Direct Aviation Improvements.*** Notwithstanding the foregoing, the ownership of Trust funded direct aviation infrastructure and improvements (airfield, ramp, aircraft fueling and related infrastructure) shall be retained by the Trust (and not included in the City infrastructure system) and will be maintained and repaired by the Trust.

- ***Developer/Tenant/User infrastructure.*** Improvements and infrastructure constructed on leased property will be owned by the developer/tenant/user or the Trust, and the maintenance and repair of such infrastructure will be accomplished pursuant to the ground lease terms.

- ***Franchise Utilities.*** Gas, electricity, telephone, telecommunications and other utilities will be provided by private companies directly to the developer/tenant/user.

6. COMMON AREA MAINTENANCE PROGRAM

The Land Use Plan includes concept drawings showing existing and anticipated future land uses, building uses and densities, streets, pedestrian and transit way, open space, utilities, drainage, lighting, and other aspects or characteristics of land development, design standards specifying the criteria for building design, signage landscaping and other improvements.

In addition to the initial designation of the parcels available for development, the Land Use Plan anticipates the development of the following areas:

- ***Common Area**.* Property and improvements that are used in common or for the benefit of all developer/tenant/users of the Development Area, such as utility corridors that are not adjacent to a leased premises, streets, street lighting, islands, median strips, lakes, water features, entrance parks and other park and open areas, entry monument signs and walls, and pedestrian malls and walkways.

- ***Right of Way Area**.* Property and improvements that lay between the developer/tenant/user's boundary of the leased premises and the back of a roadway curb. The Right of Way Area is primarily used as a utility set back area.

The Trust has determined that the installation and maintenance of the Common Area and the Right of Way Area improvements shall be as follows:

- ***Common Area Improvements***. The Trust will install, maintain, improve, and beautify, or cause to be maintained, improved, and beautified, the Common Area in a desirable manner for the benefit of the developer/ tenant/users to the extent that such maintenance, improvement and beautification are not being accomplished by a developer/tenant/user, the City, or other public or quasi public organizations or districts charged with said responsibility. The required maintenance activities shall include, but not be limited to mowing of lawns, trimming of hedges, adequate irrigation, replacement of dead, diseased or unsightly landscaping, removal of weeks from planted areas, and appropriate pruning of plant materials. Additional land may be added to the Common Area as authorized by the Trust, and the obligations for Common Area maintenance will extend to such additional acreage.

- ***Right of Way Area Improvements***. Prior to the development of individual leased premises, property included in the Right of Way will be considered a component of the Common Area and will be maintained by the Trust. As parcels are leased, the developer/tenant/user will be required to install and maintain the landscape materials set forth in the Airport's development standards and/or design criteria in the applicable Right of Way Area adjacent to their leased premises. The required maintenance activities of the developer/tenant/user shall include, but not be limited to mowing of lawns, trimming of hedges, replacement of dead, diseased or unsightly landscaping, removal of weeks from planted areas, and appropriate pruning of plant materials. Developer/tenant/users are required to install and maintain the irrigation system for Right of Way Area adjacent to their leased premises. The applicable Right of Way Area is defined as that area that lies between the developer/tenant/user's boundary of the applicable leased premises and the back of a roadway curb.

7. ADDITIONAL RENT

It is common in ground leases for development of airport property for the airport to charge a developer/tenant/user a combination of rates, charges, and fees for the use and occupancy of the specific leased premises. These rates, charges, and fees can vary as between different types of uses and can reflect payment obligations not included in the calculation of rents for the ground lease (and facility lease if applicable) and can include but not be limited to (1) the specific services provided by the airport to the leased premises, (2) the costs associated with providing certain improvements or to an individual developer/tenant/user, (3) specific capital or maintenance costs for enhancements or repairs to airport areas benefiting the developer/tenant/user, and (4) fees based on sales of goods and services or assignments of a leasehold interest. In addition, ground leases often include language obligating the developer/tenant/user to pay "such nondiscriminatory fees assessed by the airport from time to time to all or certain users of the airport that are reflected in the airport's rules and regulations." In this way, special assessments imposed on the airport as a whole can be passed through to all users of the airport.

Due to the unique nature of these rates, fees and charges and the varying application of the fees between individual leased premises, they are often designated as "Additional Rent" to the ground rental obligation in the ground lease documentation.

As described in the Business Plan, the Trust has established the methodology and criteria for establishing ground and facility rates, fees, and charges for based on the ground rent Category of such development. Applicable Additional Rent components may be applied to all ground and facility leases at the Airport on a case by case basis. In the Development Area, Additional Rents may include (but are not limited to) the following components:

- ***Infrastructure Improvement Rent***. To the extent Airport revenues are used to construct roadways, water, sanitary sewer, drainage, (and on a case by case basis aircraft ramp paving or other aviation infrastructure), or other base infrastructure improvements ("Trust Funded Infrastructure") the Trust will amortize such cost and recover the cost over time as Infrastructure Improvement Rent. While the Trust Funded Infrastructure may be installed in development phases ("Infrastructure Phase[s]") as determined by the Trust and based on the Land Use Plan, such infrastructure will be needed for the development of all parcels included in the 40 year development program reflected in the Land Use Plan for the Development Area ("Program Term"). The Trust anticipates the recovery of such infrastructure investment through a pro-rata share method. Under this method, the Trust will pay the costs for installing required infrastructure and as development occurs, the developer/tenant/users would be assessed a pre-determined fee based on the acres leased for the infrastructure then in place.

- The Infrastructure Improvement Rent shall be based upon the cost of the installation of the applicable Trust Funded Infrastructure, amortized pursuant to then current amortization methods utilized by the Trust for the Airport for similar infrastructure, and divided by the total leasable acres projected for the Program Term. The actual acreage within the Development Area leased during the Program Term shall be allocated the pro rata cost per acre per year, to be paid to the Trust on a monthly basis as Infrastructure Improvement Rent. The amount and duration of the Infrastructure Improvement Rent applicable to individual leased premises shall be based on the amortization schedule prepared by the Trust for the cost of the components of the infrastructure, and the number of acres contained in the individual leased premises.

- The Infrastructure Improvement Rent for any individual leased premises may change from time to time during the term of the ground lease, based upon the cost of additional Trust Funded Infrastructure installed in the Development Area during the Program Term.

- ***Common Area Maintenance Fee***. All developer/tenant/users with leased property located in the Development Area shall pay a fee for the maintenance of all Common Areas, including the utility corridors, designated by the Trust from time to time for the Development Area. This fee, (the "Common Area Maintenance Fee") shall be based upon the amortized cost of the installation of all Common Area improvements, and the estimated annual maintenance of all Common Areas divided by the total leasable acres in the Development Area projected for the Program Term. The actual acreage within the Development Area leased during the Program Term shall be assessed the cost per acre per year, to be paid to the Trust on a monthly basis as Common Area Maintenance Fees. The amount of the Common Area Maintenance Fee applicable to individual leased premises shall be determined using the pro rata cost per acre, and the number of acres contained in the individual leased premises.

  The Common Area Fee shall change from year to year based upon budgeted costs. In addition, the Trust may at its discretion, charge special assessments or year-end assessments to cover unanticipated costs incurred during the applicable year.

8. DIRECT AVIATION—AERONAUTICAL RENTS

Aeronautical rents are based on Airport Base Rates described below and are applicable to aeronautical users for Direct Aviation uses, (including general aviation, aircraft manufacturing, aircraft maintenance, and other direct aviation facilities requiring access to the airfield); and qualifying Direct Aviation Support uses of Airport property. During Program development, a Market Rent Study for General Aviation Leases (the "GA Study") was performed to determine the benchmarks for these types of direct aviation uses. The GA Study included an analysis of the improved and unimproved aeronautical lease arrangements at the Airport which were evaluated and surveyed against select comparable airports in order to identify recommended rates and charges levels for future aeronautical ground and facilities leases at the Airport. The results of the GA Study are provided in Attachment D.

The benchmarking effort included such leases as those for fixed base operators (FBO), hangar developments, and other aeronautical activities. As shown in the GA Study, the lease rates varied among the airports for a number of reasons, such as: (1) demand for general aviation services, (2) regional economy and population, (3) number of based aircraft, and (4) Airport rate setting policies.

As shown in Table 1, the recommended lease rates are based on the results of the GA Study.

Table 1

RECOMMENDED MARKET RENT FOR AERONAUTCAL LEASES
Will Rogers World Airport Strategic Development Plan

Lease element	Recommend rate	Survey comparison
Unimproved rate	$0.25 / sq. ft.	Range: $0.085 – 0.49
Improved rate	$0.40 / sq. ft.	Range: $0.20 – 0.46
Building rate	$6.00 / sq. ft.	Range: $1.00 – 8.00
Fuel flowage fee	$0.10	Range: $0.05 – 0.12
Percent of gross	5%-15% for certain fees	20% - 50% for certain fees

A. Aeronautical "Base Rate" Methodology

Based on the GA Study, the historical rates at the Airport, and industry standards described herein, the methodology for the establishment of rates, fees and charges for aeronautical operators at the Airport is described herein. The Trust retains the flexibility to maximize revenues through aeronautical lease negotiations. The aeronautical rates and charges methodology ("Aeronautical Rate Methodology") is as follows:

- ***Aeronautical Ground Rent***

  – Individual properties (improved or unimproved) leased for aeronautical purposes will be subject to ground rental rates as is set forth from time to time as the ground rental rate set forth in the "Minimum Standards for Aviation Activities and Leasing of Land and Facilities at Oklahoma City Airports" ("Minimum Standards") adopted by the Trust ("Airport Base Rate").

  – Aeronautical ground rent is determined by multiplying Airport Base Rate with square footage of the leased property ("Aeronautical Ground Rent").

  – An initial Aeronautical Ground Rent will be determined using the Airport Base Rate in effect at the commencement of the ground lease ("Initial Aeronautical Ground Rent").

  – Initial Aeronautical Ground Rent may be escalated every year on a percentage basis or on a set amount, as determined by the Trust and as reflected from time to time in the Minimum Standards.

- In addition to established escalation provisions, Aeronautical Ground Rent may be subject to periodic increases based on new Airport Based Rates, as determined by updated market rents studies performed by the Trust from time to time.

- For certain aeronautical operators – Aeronautical Ground Rent may be established as the minimum rent for the leased property, and the operator will also pay a percentage of the gross income for retail operations ("Percentage Rent").

- For certain aeronautical operators – a premium will be added to the Airport Base Rate at the election of the Trust for aeronautical ground leases in prime locations at the Airport, ("Premium Rent").

- For certain aeronautical operators – an Incentive may be applied to the Aeronautical Ground Rent, (subject to compliance with FAA guidelines with respect to non-discriminatory practices in user rates and charges, and the establishment of value based rates).

• ***Aeronautical Facility Rent***

- Individual aeronautical facilities owned by the Trust will be appraised on a case by case basis for the determination of the value on a square footage basis, ("Fee Value") or as may be set forth from time to time in the Minimum Standards.

- A facility rental rate will be established equal to a stated percentage of the Fee Value or as may be set forth from time to time in the Minimum Standards ("Aeronautical Facility Rental Rate").

- Aeronautical Facility rent is determined by multiplying the Aeronautical Facility Rental Rate with square footage of the facility ("Aeronautical Facility Rent").

- Aeronautical Facility Rent may be escalated annually on a percentage basis or a set amount, as determined by the Trust.

- Aeronautical Facility Rents may be subject to increases based on new fair market appraisals conducted on a periodic basis throughout the term.

• ***Aeronautical Additional Rents***

- Individual properties (improved or unimproved) leased for Aeronautical purposes may be subject to additional fees and charges imposed by the Trust for all similarly situated aeronautical operators, including but not limited to facilities maintenance rentals, and ramp and parking lot maintenance fees.

- Certain aeronautical leases will be assessed Additional Rents (Infrastructure Improvement Rent and Common Area Maintenance Fees) based on the individual leased property.

- ***Rent Commencement Date***. Unless otherwise specifically set forth in the ground lease documentation or the Minimum Standards, the Aeronautical Ground Rent, Aeronautical Facility Rent (if applicable), and all applicable Additional Rents will commence on the Effective Date of the ground lease term.

- ***Minimum Standards Requirements***. Other operational requirements for aeronautical operators are set forth in the Minimum Standards and the rules and regulations of the Airport, as same may be in effect from time to time.

B. Existing Aeronautical Leases—Transition Methodology

At the expiration of existing aeronautical ground/facility leases, the Trust and the applicable aeronautical operator (whether the prior tenant or new tenant) will enter into a new aeronautical ground/facility leases with terms consistent with the Aeronautical Rate Methodology, including new fair market valuations for Facility Rents. The foregoing notwithstanding, for any individual aeronautical operator wishing to extend the term of an existing aeronautical ground or facility lease at the expiration of that lease, the Trust will consider the history of the prior/existing aeronautical operator with respect to the operation and management of the leasehold, the payment of rents, the highest and best use for the property, and the value of additional improvements made by the existing aeronautical operator to the leased premises to determine whether or not to allow the existing aeronautical operator to retain the leasehold, and the Trust will determine the acceptable transition period ("Transition Period") to increase the ground rental rates in such lease to the then current Airport Base Rates. Transition Period rental rates may be adjusted on a case by case basis.

In addition, the Trust may modify, amend and update the ground rental rates set forth in the Minimum Standards to establish a new Airport Base Rate during the current term of existing aeronautical leases and the Trust may transition current aeronautical lease rates to new Airport Base Rates as allowed under the terms of individual current aeronautical ground leases.

Aeronautical Facility Rents will be determined as set forth in the current aeronautical ground lease/facility lease and if applicable, will adjust under the same terms as set forth in the Aeronautical Rate Methodology.

Additional Rents under the same terms as set forth in the Aeronautical Rate Methodology will be applied to current aeronautical ground/facility leases as allowed under the terms of individual current aeronautical ground/facility leases.

C. Methodology—New Aeronautical Leases

The Aeronautical Ground Rent is determined using the Airport Base Rent Rate in effect at the effective date of the ground lease as reflected in the Minimum Standards. At the election of the Trust, the Aeronautical Ground Rent may escalate on an annual basis based on a percentage or based on a set amount set forth in the Minimum Standards, and/or be subject to periodic increases based on new Airport Based Rates, as determined by updated market rents studies consistent with the Aeronautical Rate Methodology. The Aeronautical Ground Rent may be subject to an Incentive, Premium Rent, or Percentage Rent, consistent with the Aeronautical Rate Methodology.

If applicable, the Facility Rent will be established using a percentage of the Fee Value consistent with the Aeronautical Rate Methodology and as set forth in the Minimum Standards. At the election of the Trust, the Aeronautical Facility Rent may escalate on an annual basis based on a percentage or based on a set amount, and/or be subject to periodic increases based on new fair market appraisals establishing Fee Values.

If applicable, Additional Rents under the same terms as set forth in the Aeronautical Rate Methodology will be applied to new aeronautical ground/facility leases.

9. DIRECT AVIATION—AIR CARGO RENTS

Air Cargo rents are based on Fair Market Value Rents determined by appraisal on a case by case basis and is applicable to aeronautical users for commercial air cargo uses of Airport property. During Program development, an Air Cargo Facility Development/ Rent Study (the "Air Cargo Study") was performed and included an overall industry perspective as to the establishment of rates and charges for commercial developers of aviation facilities, those facilities with direct access to the airfield. The results of the Air Cargo Study are provided in Attachment E.

Airside facilities are most efficient for integrated operators (UPS and FedEx) and all-cargo airlines that may need quick handling of cargo next to their aircraft parking positions. While paying relatively more expensive rent, these operators seek to either gain value (in time) or reduce total operating costs by performing more functions at their on-airport site than would be possible elsewhere. Often, integrators will lease enough space on-airport to handle the most time-sensitive freight (a higher-revenue service) while locating other facilities off-airport for deferred freight handling.

In certain situations, freight operators may also seize opportunities to locate on airport property near—but not contiguous to—the aircraft parking ramp. Non-airside property is typically less expensive and may be more suitable for freight companies—such as freight forwarders—that consistently utilize aircraft space from multiple carriers but operate none or little of their own.

In addition to the payment of base rent, ground lease charges have often expanded to include participation rent, subleasing fees, financing fees, transfer fees and other indirect charges. The determination of base rent and the increases to base rent are often based on local market comparables not directly related to air cargo facilities, but rather to surrounding industrial land values.

Based on the Air Cargo Study and industry standards described herein, the methodology for the establishment of rates, fees and charges for Air Cargo users at the Airport is described herein. The Trust retains the flexibility to maximize revenues through Air Cargo lease negotiations. The Air Cargo rates and charges methodology ("Air Cargo Rate Methodology") is as follows:

A. Air Cargo Rate Methodology

- ***Air Cargo Ground Rent***

  - Individual properties (improved or unimproved) will be appraised for the determination of the high and low values per square foot of land ("Fee Value Range") during negotiations for development. The determination of the specific fee value for the property within the Fee Value Range shall by made by the Trust based on the type of development and the qualifications of the developer/tenant/user, ("Fee Value"). The determination of the Fee Value for individual properties will be made on a case by case basis.

  - A ground rental rate equal to 10% of the Fee Value selected within the Fee Value Range will be established, ("Air Cargo Ground Rental Rate").

  - Ground rent is determined by multiplying the Air Cargo Ground Rental Rate with square footage of the leased property ("Air Cargo Ground Rent").

  - Air Cargo Ground Rent may be escalated every year on a percentage or on a set amount basis, as determined by the Trust.

  - Air Cargo Ground Rents may be subject to increases based on new fair market value appraisals conducted on a periodic basis throughout the term.

  - For certain retail developer/tenant/users – Air Cargo Ground Rent will be established as the minimum rent for the leased property, and the developer/tenant/user will also pay Percentage Rent.

  - For certain developer/tenant/users – an Incentive will be applied to the Air Cargo Ground Rent.

- ***Air Cargo Facility Rent***
  - Individual facilities owned by the Trust will be appraised for the determination of the value on a case by case basis, ("Fee Value").
  - A facility rental rate will be established equal to a percentage of the Fee Value ("Facility Rental Rate").
  - Facility rent is determined by multiplying the Facility Rental Rate with square footage of the facility ("Facility Rent").
  - Facility Rents may be escalated annually on a percentage basis or a set amount, as determined by the Trust.
  - Facility Rents may be subject to increases based on new appraisals conducted on a periodic basis throughout the term.
- ***Air Cargo Additional Rents***
  - Individual properties (improved or unimproved) leased for Air Cargo purposes may be subject to additional fees and charges imposed by the Trust for all similarly situated aeronautical operators, including but not limited to facilities maintenance rentals, and ramp and parking lot maintenance fees.
  - Certain air cargo leases will be assessed Additional Rents (Infrastructure Improvement Rent and Common Area Maintenance Fees) based on the individual leased property.
- ***Rent Commencement Date.*** Unless otherwise specifically set forth in the ground lease documentation, the Minimum Standards, or the Land Leasing Policy, the Air Cargo Ground Rent, Air Cargo Facility Rent (if applicable), and all applicable Additional Rents will commence on the Effective Date of the ground lease term.
- ***Minimum Standards Requirements.*** Other operational requirements for aeronautical operators, including air cargo operators are set forth in the Minimum Standards and the rules and regulations of the Airport, as same may be in effect from time to time.
- ***Commercial Land Leasing Policy.*** Commercial leases are subject to the terms set forth in the Airport's Commercial Land Leasing Policy and the rules and regulations of the Airport, as same may be in effect from time to time.

B. Existing Air Cargo Leases -Transition Methodology

At the expiration of existing air cargo ground/facility leases, the Trust and the applicable air cargo operator (whether the prior tenant or new tenant) will enter into a new air cargo ground/facility leases with terms consistent with the Air Cargo Rate Methodology, including new fair market valuations for Ground Rents and/or Facility Rents. The foregoing notwithstanding, for any individual air cargo operator wishing to extend the term of an existing air cargo ground or facility lease at the expiration of that lease, the Trust will consider the history of the prior/existing air cargo operator with respect to the operation and management of the leasehold, the payment of rents, the highest and best use for the property, and the value of additional improvements made by the existing air cargo operator to the leased premises to determine whether or not to allow the existing air cargo operator to retain the leasehold, and the Trust will determine the acceptable Fee Value for the leased property.

In addition, as allowed under the terms of individual current air cargo ground leases, the Trust may establish a new Fee Value during the current term of existing air cargo leases and the Trust may transition current air cargo lease rates to new Air Cargo Ground Rental Rates.

Air Cargo Facility Rents will be determined as set forth in the current air cargo ground lease/facility lease and if applicable, will adjust under the same terms as set forth in the Air Cargo Rate Methodology.

Additional Rents under the same terms as set forth in the Air Cargo Rate Methodology will be applied to current air cargo ground/facility leases as allowed under the terms of individual current air cargo ground/facility leases.

C. Methodology—New Air Cargo Leases

The Air Cargo Ground Rent is determined using 10% of the Fee Value selected within the Fee Value Range. At the election of the Trust, the Air Cargo Ground Rent may escalate on an annual basis based on a percentage or based on a set amount, and/or be subject to periodic increases based on new fair market value appraisals, consistent with the Air Cargo Rate Methodology. The Air Cargo Ground Rent may be subject to an Incentive or to Percentage Rent, consistent with the Air Cargo Rate Methodology.

If applicable, the Air Cargo Facility Rent will be established using a percentage of the Fee Value consistent with the Air Cargo Rate Methodology. At the election of the Trust, the Facility Rent may escalate on an annual basis based on a percentage or based on a set amount, and/or be subject to periodic increases based on new fair market appraisals establishing Fee Values.

If applicable, Additional Rents under the same terms as set forth in the Air Cargo Rate Methodology will be applied to new Air Cargo ground/facility leases.

10. NON-AVIATION - COMMERCIAL RENTS

Commercial rents are based on Fair Market Value Rents determined by appraisal on a case by case basis and are applicable to FAA approved commercial uses, including offices, industrial facilities, retail, and similar facilities on Airport property which does not have airfield access, and is not currently needed for Direct Aviation development. The primary purpose for these areas is to ensure an adequate noise buffer, and ensure land development and uses compatible to Direct Aviation and Direct Aviation Support uses. In addition, concurrent commercial development is desired to generate non-airline related revenues to enhance the overall revenues of the Airport, and thereby promoting the growth of air service, and ensure the Airport remains self sustaining.

Pursuant to FAA regulations, while serving the primary purpose for which it was acquired, the concurrent commercial use rate making methodology should for Airport land should generate fair market value revenue to be used for Airport purposes. The Commercial rates and charges methodology ("Commercial Rate Methodology") is as follows:

A. Commercial Rate Methodology

- ***Commercial Ground Rent***

  – Individual properties (improved or unimproved) will be appraised for the determination of the high and low values per square foot of land ("Fee Value Range") during negotiations for development. The determination of the specific fee value for the property within the Fee Value Range shall by made by the Trust based on the type of development and the qualifications of the developer/tenant, ("Fee Value"). The determination of the Fee Value for individual properties will be made on a case by case basis.

  – A ground rental rate equal to 10% of the Fee Value selected within the Fee Value Range will be established, ("Commercial Ground Rental Rate").

  – Ground rent is determined by multiplying the Commercial Ground Rental Rate with square footage of the leased property ("Commercial Ground Rent").

  – Commercial Ground Rent may be escalated every year on a percentage or on a set amount basis, as determined by the Trust.

  – Commercial Ground Rents may be subject to increases based on new fair market value appraisals conducted on a periodic basis throughout the term.

  – For certain retail developer/tenant/users – Commercial Ground Rent will be established as the minimum rent for the leased property, and the developer/tenant/user will also pay Percentage Rent.

  – For certain developer/tenants – an Incentive will be applied to the Commercial Ground Rent.

- ***Commercial Facility Rent***
  - Individual facilities owned by the Trust will be appraised for the determination of the value on a case by case basis, ("Fee Value").
  - A facility rental rate will be established equal to a percentage of the Fee Value ("Facility Rental Rate").
  - Facility rent is determined by multiplying the Facility Rental Rate with square footage of the facility ("Facility Rent").
  - Facility Rents may be escalated every year on a percentage basis or a set amount, as determined by the Trust.
  - Facility Rents may be subject to increases based on new appraisals conducted on a periodic basis throughout the term.
- ***Commercial Additional Rents***
  - Individual properties (improved or unimproved) leased for Commercial purposes may be subject to additional fees and charges imposed by the Trust for all similarly situated commercial or aeronautical operators.
  - Certain commercial leases will be assessed Additional Rents (Infrastructure Improvement Rent and Common Area Maintenance Fees) based on the individual leased property.
- ***Rent Commencement Date.*** Unless otherwise specifically set forth in the ground lease documentation, or the Land Leasing Policy, the Commercial Ground Rent, Commercial Facility Rent (if applicable), and all applicable Additional Rents will commence on the Effective Date of the ground lease term.
- ***Commercial Land Leasing Policy.*** Commercial leases are subject to the terms set forth in the Commercial Land Leasing Policy and the rules and regulations of the Airport as same may be in effect from time to time.

B. Existing Commercial Leases – Transition Methodology

At the expiration of existing commercial ground leases, the Trust and the applicable commercial tenant (whether the prior tenant or new tenant) will enter into a new ground lease with terms consistent with the Commercial Rate Methodology, including new fair market valuations for Ground Rents and/or Facility Rents where applicable. The foregoing notwithstanding, for any individual commercial tenant wishing to extend the term of an existing commercial ground or facility lease at the expiration of that lease, the Trust will consider the history of the prior/existing commercial tenant with respect to the operation and management of the leasehold, the payment of rents, the highest and best use for the property, and the value of additional improvements made by the existing commercial tenant to the leased premises to determine whether or not to allow the existing commercial tenant to retain the leasehold, and the Trust will determine the acceptable Fee Value for the leased property.

Existing leases where renewals terms are not specifically set forth therein will be treated as a new commercial Lease at such renewal date with terms consistent with the Commercial Rate Methodology.

In addition, as allowed under the terms of individual current commercial ground leases, the Trust may establish a new Fee Value during the current term of existing commercial leases and the Trust may transition current commercial lease rates to new Commercial Ground Rental Rates.

Commercial Facility Rents will be determined as set forth in the current commercial ground lease/facility lease and if applicable, will adjust under the same terms as set forth in the Commercial Rate Methodology.

Additional Rents under the same terms as set forth in the Commercial Rate Methodology will be applied to current air cargo ground/facility leases as allowed under the terms of individual current commercial ground/facility leases.

C. Methodology—New Commercial Leases

The Commercial Ground Rent is determined using 10% of the Fee Value selected within the Fee Value Range. At the election of the Trust, the Commercial Ground Rent may escalate on an annual basis based on a percentage or based on a set amount, and/or be subject to periodic increases based on new fair market value appraisals, consistent with the Commercial Rate Methodology.

Based on the type of developer/tenant/user – the Commercial Ground Rent may be subject to an Incentive or to Percentage Rent, consistent with the Commercial Rate Methodology.

If applicable, the Commercial Facility Rent will be established using a percentage of the Fee Value consistent with the Commercial Rate Methodology. At the election of the Trust, the Facility Rent may escalate on an annual basis based on a percentage or based on a set amount, and/or be subject to periodic increases based on new fair market appraisals establishing Fee Values.

If applicable, Additional Rents under the same terms as set forth in the Commercial Rate Methodology will be applied to new commercial ground/facility leases.

11. NON-AVIATION - GOVERNMENT RENTS

Government facilities serve a significant public, community purpose, and the ground rental rates and other rates and charges for government leases on Airport property will be determined on a case by case basis. The designation of a current or potential user of Airport property as a governmental entity and whether such user will occupy such property for government purposes shall be determined in the sole discretion of the Trust.

A. Government Rate Methodology

Government Rents are applicable to qualifying governmental agencies and may result in a rate that is distinct from commercial or aeronautical rates for similarly situated property at the Airport. The Governmental rates and charges methodology is the same methodology as the Aeronautical Rate Methodology using Airport Base Rates for Direct Aviation and Direct Aviation Support purposes, or the Commercial Rate Methodology using Fair Market Value Rents for Indirect Aviation and Non-aviation commercial purposes, as applicable ("Governmental Rate Methodology") and is subject to the following:

- ***Government Ground Rent***
  - An initial ground rental rate will be established either by the equal to the Airport Base Rate or a percentage of the Fee Value selected within the Fee Value Range, as applicable, ("Government Ground Rental Rate").
  - Government Ground rent is determined by multiplying the Government Ground Rental Rate with square footage of the leased property ("Government Ground Rent").
  - Government Ground Rent may be escalated every year on a percentage or on a set amount basis, as determined by the Trust.
  - Government Ground Rents may be subject to increases based on new fair market value appraisals conducted or on increases in the Airport Base Rates on a periodic basis throughout the term.
  - For certain government uses – Government Ground Rent will be established as the minimum rent for the leased property, and the governmental entity will also pay Percentage Rent.
- ***Government Facility Rent***
  - On a case by case basis, individual facilities owned by the Trust will be appraised for the determination of the value on a case by case basis, ("Fee Value").
  - A facility rental rate will be established equal to a percentage of the Fee Value ("Government Facility Rental Rate").
  - Government facility rent is determined by multiplying the Government Facility Rental Rate with square footage of the facility ("Government Facility Rent").

- Government Facility Rents may be escalated every year on a percentage basis or a set amount, as determined by the Trust.
- Government Facility Rents may be subject to increases based on new appraisals conducted on a periodic basis throughout the term.

- ***Government Additional Rents***
  - Individual properties (improved or unimproved) leased for Government purposes may be subject to additional fees and charges imposed by the Trust for all similarly situated commercial or aeronautical operators.
  - Certain governmental leases will be assessed Additional Rents (Infrastructure Improvement Rent and Common Area Maintenance Fees) based on the individual leased property.
- ***Rent Commencement Date.*** Unless otherwise specifically set forth in the ground lease documentation, or the Land Leasing Policy, the Government Ground Rent, Government Facility Rent (if applicable), and all applicable Additional Rents will commence on the Effective Date of the ground lease term.
- ***Commercial Land Leasing Policy.*** Government leases are subject to the terms set forth in the Commercial Land Leasing Policy and the rules and regulations of the Airport as same may be in effect from time to time.

B. Existing Government Leases – Transition Methodology

Each existing ground lease will be reviewed to determine if lease terms permit transition to Government Rate Methodology. If allowed by current lease terms, the Trust may establish transition period to increase the ground rental rates to the then current Airport Base Rates or Fee Value. At the expiration of existing ground leases, the Trust and any new or prior/existing qualifying government agency will enter into a new ground lease with terms consistent with the Government Methodology, including new fair market valuations for ground and facility rents where applicable.

Existing leases where the terms and conditions for renewals are not specifically set forth therein will be treated as a new Government lease at such renewal date with terms consistent with the Government Methodology.

Prior to the date of a renewal at the option of the Trust, or the expiration of a existing lease, the Trust will consider the significant public, community purpose for the use of Airport property, the history of the prior government agency with respect to the operation with respect to the management of the leasehold, the payment of rents, the highest and best use for the property, and the value of additional improvements made by the governmental agency to the property to determine whether or not to allowed the government agency to retain the leasehold interest on the property, under terms consistent with the Government Rate Methodology. The

Trust may institute a transition period to increase the ground rental rates to the then current Airport Base Rates or Fair Market Value Rates, as applicable.

Should a governmental entity with an existing governmental lease request an expansion of the leased premises, notwithstanding the terms of the primary lease, the leasehold interest on such expansion area may be leased under terms consistent with the Government Rate Methodology.

C. New Government Leases – Methodology

The Government Ground Rent is determined using a percentage of the Fee Value selected within the Fee Value Range or the Airport Base Rate, as applicable. At the election of the Trust, the Government Ground Rent may escalate on an annual basis based on a percentage or based on a set amount, and/or be subject to periodic increases based on new fair market value appraisals, consistent with the Government Rate Methodology.

Based on the type of governmental entity and the proposed governmental facility use for the leased property – the Government Ground Rent may be subject to an Incentive or to Percentage Rent, consistent with the Government Rate Methodology.

If applicable, the Government Facility Rent will be established using a percentage of the Fee Value consistent with the Government Rate Methodology. At the election of the Trust, the Government Facility Rent may escalate on an annual basis based on a percentage or based on a set amount, and/or be subject to periodic increases based on new fair market appraisals establishing Fee Values.

If applicable, Additional Rents under the same terms as set forth in the Government Rate Methodology will be applied to new Government ground/facility leases.

12. PROCUREMENT OPTIONS

Historically, airport staffs have managed development efforts for airport property suitable for aviation and related development. Often times, the airport merely responds to a request from a third party to lease airport land for airport suitable development. However, many airports have transitioned from a position of responding to development requests from third parties, to a position of actively pursuing aviation and non aviation commercial development for the purpose of generating non-airline related revenues. As a result, the methods and processes for securing aviation and non aviation commercial development at airports have become more specific and sophisticated.

At many airports, a combination of direct negotiation, competitive proposal processes, and partnership with a master developer is used to achieve the airport property development program. Often times the procurement method selected is a result of the unique attributes of the airport property, the skill set and availability of airport staff and the amount of airport funding available for infrastructure.

A. Direct Negotiation

Direct negotiation can be effectively utilized by airports provided that certain protocols, policies and procedures are in place to insure compliance with FAA regulations, and to facilitate the development process. Sample components for inclusion in an airports land leasing policy include the following:

- ***Available land and Land Use Plan.*** It is important that the airport has identified the property suitable for commercial development and highest and best or preferred uses for the parcels.

- ***Rates and Charges Schedule.*** The airport should also have available a specific market based rates and charges schedule.

- ***Infrastructure Program***. The airport should have identified the property locations with existing infrastructure suitable for development and/or infrastructure funding options.

- ***Qualifications for Developer or User***. Airport should establish the minimum qualifications for developer or user and require potential developers provide the airport with a business plan, site plan, financial plan, marketing plan (if development is speculative), references and experience, and other information that may be of particular interest to the airport, (jobs creation plan, or environmental plan).

- ***Marketing Program.*** The airport should have a transparent program and provide a fair opportunity for all qualified parties to participate in development opportunities. A marketing or out reach program is effective in communicating to the community (including the development community) that the airport is "open for business" on a "first come first served" basis for desired uses and qualified developers.

- ***Commissions***. The airport should determine in advance if the airport will pay brokerage fees/commissions.

B. Competitive Processes

In some situations, in particular where airport property in general or certain types of airport property (ramp access) is in limited supply; where the airport has been approached by two or more interested third parties for the same development opportunity; where the political or legal environment makes direct negotiation problematic; or where an airport desires a specific development and would like to "test the market" for such development, airports often initiate a competitive process to secure the most qualified developer.

Different methods in the competitive process can be used by airport sponsors, and certain methods are sometimes required by enabling legislation or airport policies. In each case however, the development opportunity will be advertised to the public, which for many airport sponsors achieves the desire for a fair opportunity for all interested parties. Some distinctions between the competitive processes include the following:

- ***Statements of Interest (SOI)***. An SOI is typically used in circumstances where a parcel of airport property is available for development and the airport has not determined a preferred development use. The advertisement for SOIs allows any interested developer to propose a development for the property. These SOIs are typically presented at a "concept level" by the developers and would not have the detail sufficient to determine the specific development program. Based on the response to the SOI, the airport can enter into direct negotiations with respondents to the SOI, or use the information presented in the SOIs for the development of RFQs or RFPs.

- ***Requests for Qualifications.*** An RFQ is typically used in circumstances where a parcel of airport property is available for development and the airport has a highest and best preferred development use already determined. RFQs are advertised for this preferred development use and include the specific criteria requested to determine a qualified proposer. The cost to the developer to prepare a statement of qualifications is much less than a full proposal required in a RFP process. Based on the response to the RFQ, the airport can enter into direct negotiations with respondents to the RFQ, or issue an RFP for the developers deemed to be qualified through the RFQ process.

- ***Requests for Bid and Requests for Proposals.*** As with a direct negotiation procurement approach, the competitive procurement process requires the airport to determine the minimum qualifications for the developer and user. Unlike the direct negotiation procurement approach however, the competitive procurement process requires the airport to determine the specific criteria upon which the selection of competing proposers will be based, and the ranking (or weights) of the various criteria to assist the airport in selecting the best proposal. Some airport sponsors are limited by legislation or governing policy to competitive processes based solely on cost to the airport or revenue generated for the airport from qualified proposers. In this case, the airport will advertise under a Request for Bid process, where (once the proposers are deemed to be qualified) the determining selection criteria will be cost/revenue. For those airport sponsors who are allowed to issue Requests for Proposals, the general factors comprising selection criteria often include but are not limited to:

  - The demonstrated quality of planned development.

  - Compatibility with airport expectations for services provided to the airport guests and the public.

  - Degree of economic benefit returned to the Airport.

  - Financial feasibility of project pro forma.
  - Development team member's professional qualifications.
  - References for the Proposer.
  - Experience with similar types of development, leasing and property management.
  - Demonstrated ability to access and obtains private equity and debt.
  - Presentation of confirmed commercial users/tenants and/or ability to market to local, regional and national commercial users/tenants.
  - Demonstrated experience and financial strength to complete the project on budget and on schedule.
  - The Proposer's proposed project approach.
  - The level of comprehensiveness of the Proposer's submitted Proposal.
  - Each factor or criteria is given a weight based on the airport's goals for the project, or as required by governmental policy. The airport will either reject all proposals if desired, or will commence direct negotiations with the qualified Proposer with the highest score.

- ***Master Developer-Public Private Partnership***. Historically, most airports working with regional economic development agencies have marketed and managed lease development of airport property. However, as airports look to initiate a pro active commercial development program and/or develop larger tracts of airport property than was done in the past, many airports are faced with two challenges, a large capital investment required for infrastructure development to make the airport property suitable for lease and development, and the lack of available airport staff and/or expertise of airport staff to market and manage a large scale commercial development project.

Notwithstanding legislative or government policy constraints, airports typically have the option to manage development of activity at an airport on their own or by engaging a third party. The tradeoff between these two options is the balance between risk and reward (i.e., level of net revenues). By managing a development on their own, airports could realize the highest level of revenues, but would also assume the risk that the return on any investments required by the development may be lower than expected (or negative). Conversely, by engaging a third party, the airport would likely minimize risk but also reduce potential returns.

The selection process for a master developer is determined by the airport using the same processes as described herein for selecting a developer for a specific parcel.

Typically an RFP process is used for and the primary objective of the RFP is to identify a qualified master developer who will be responsible for private development, leasing and property management of the designated airport property.

The criteria for selecting a master developer and business deal points outlined in the RFP for the program (including the developer experience, length of lease term, phasing program, infrastructure development, ground rental rates and percentage fees, management responsibilities, and marketing leasing responsibilities) can be significantly different from an airport managed development program.

13. LAND LEASING POLICIES

The Trust is pursuing sustainable and compatible aviation and non aviation commercial development at the Airport to enhance the economic strength and stability of the Airport and the region. In order to respond consistently to the various commercial development requests pertaining to Airport property, the Trust has established a Land Leasing Policy for Airport property. A copy of the Land Leasing Policy is attached hereto as Attachment G.

This Land Leasing Policy reflects the land leasing priorities of the Trust and, together with the components of the Program, forms the basis for the protocols, policies and procedures for the use and lease of Airport properties reflected in the Trust's Minimum Standards for Aeronautical Users and the Trust's Commercial Leasing Standards.*

A. Land Leasing Priorities

Priorities for development and use of Airport property are as follows:

- ***Direct Aviation.*** Direct aviation development designated as aviation use, and includes taxiways, taxilanes, ramp, access infrastructure, base infrastructure and other facilities or amenities for passenger air service, general aviation, aircraft maintenance, aircraft manufacturing, commercial air cargo and other direct aviation facilities requiring access to the airfield.

- ***Direct Aviation Support.*** Direct Aviation Support development which may or may not require direct access to the airfield can be designated as either aviation or concurrent commercial use, including facilities for companies providing logistics, materials, cargo, and certain warehousing/distribution operations; and providing such aviation support services for direct aviation users, including the passengers, employees, agents and contractors, guests, and the tenants of the Airport.

- ***Indirect Aviation.*** Indirect Aviation development is designated as concurrent commercial use, including offices, industrial facilities, retail, and similar facilities which do not have airfield access, on land not currently needed for direct aviation development. The primary purposes for these areas is to ensure adequate noise buffer and to retain the property for future direct aviation uses if required, and to provide goods and services for the direct aviation users, including the passengers, employees, agents and contractors, guests, and the tenants of the Airport.

- ***Non-aviation.*** Non-aviation development is designated as concurrent commercial use, including offices, industrial facilities, retail, and similar facilities which do not have airfield access, on land not currently needed for direct aviation development. The primary purposes for these areas is to ensure adequate noise buffer and to ensure land development and uses compatible to direct aviation and direct aviation support uses. In addition, concurrent commercial non-aviation development is desired to generate non-airline related revenues to enhance the overall revenues of the Airport, and thereby promoting the growth of air service, and ensure the Airport remains self sustaining.

B. Minimum Standards for Aeronautical Uses

The Trust, recognizing the necessity of protecting the public health, safety, and interest in the Oklahoma City-owned airports, and in order to foster, encourage and insure the economic growth and orderly development of aeronautical activities has promulgated and adopted the "Minimum Standards for Aviation Activities and Leasing of Land and Facilities at Oklahoma City Airports" ("Minimum Standards"), a copy of which is attached hereto as Attachment F. The Minimum Standards apply to aeronautical activities (as same are defined therein) and to the leasing of land and facilities for Direct Aviation uses, (including general aviation, aircraft manufacturing, aircraft maintenance, and other direct aviation facilities requiring access to the airfield, but excluding commercial air cargo); qualifying Direct Aviation Support uses, and qualifying governmental uses of Airport property.

C. Commercial Leasing Standards

The Trust, through the implementation of this Program desires to enhance the economic strength and stability of the Airport and the region through sustainable and compatible development. Airport property which does not have airfield access, and is not currently needed for Direct Aviation development may be developed for FAA approved commercial uses, including offices, industrial facilities, retail, and similar facilities to generate non-airline related revenues to enhance the overall revenues of the Airport, and thereby promoting the growth of air service, and ensure the Airport remains self sustaining. The Trust has developed and adopted the Commercial Leasing Standards ("Commercial Standards") applicable to commercial air cargo uses, Indirect Aviation commercial uses, Non-aviation commercial uses, and qualifying governmental uses of Airport property. A copy of the Commercial Leasing Standards is attached hereto as Attachment K.

*NOTE: *The Land Leasing Policy, Minimum Standards and the Commercial Standards ("Leasing Policies") are formally adopted by the Trust. The Trust has the right and authority to modify, amend, or change any provision of any or all of the Leasing Policies and therefore, such Leasing Policies should be reviewed and*

Airport Staff consulted by any developers/tenants/users interested in development opportunities at the Airport. These policies and standards are not intended to be all inclusive. Any developer, tenant or user of Airport property shall be subject to additional federal, state, and local laws, codes, ordinances, lease provisions and other similar regulatory measures, including the Airport's rules and regulations.

14. COST BENEFIT ANALYSIS

The Land Use Plan component of the Strategic Development Plan identifies a recommended development plan for the Development Area. A cost-benefit analysis was conducted to identify the payback and discounted cash flow analysis that can be expected in implementing the recommended development plan from a cost-benefit perspective. The analysis compares the potential revenue derived from development of the property in the Development Area to the cost of providing the Trust funded infrastructure necessary to develop the property for a stated period of time.

Two approaches are used in the cost-benefit analysis ("CBA") developed to evaluate the financial impact of the Land Use Plan, a payback period analysis and a discounted cash flow analysis. The payback period analysis determines the year when total revenue derived from the Development Area exceeds the cost of infrastructure investment. The payback period analysis does not take into account the time value of money. The discounted cash flow analysis does consider the time value of money to estimate a net present value of the proposed development.

The CBA includes all estimated revenues and expenses over a 40-year period from 2010 through 2049. Leases entered into in 2050 are not considered in this analysis. Furthermore multi-year lease revenues extending beyond 2049 are not considered after 2049. Given the uncertainty of any long term forecast, it is difficult to accurately predict market conditions 40-years in the future, and therefore this CBA analysis is to be used for internal general planning purposes only.

A copy of the full Cost Benefit Analysis Report ("CBA Report") is attached hereto as Attachment J. The assumptions, methodologies and major findings of the cost-benefit analysis are summarized below.

A. Development Area

The CBA assumes that the property, and the sites parceled, will be developed according to the findings described as the Recommended Development Plan set forth in the Land Use Plan component of the Strategic Development Plan (see Figure 18).

The Recommended Development Plan and Facility Requirements section of the Land Use Plan discusses the appropriate mix of direct versus indirect aviation property for the Development Area, and identifies the amount of land to be held as a reserve ("Strategic Land Reserve") for future development opportunities and resulted in the assumption that the Development Area will yield approximately 778 acres of leaseable land, as summarized in Table 1 of the CBA Report.

The Recommended Development Plan includes both aviation and non-aviation commercial development opportunities. To forecast the absorption rates for commercial property, the mid-range capture rate from the Market Analysis section of the Land Use Plan was used. This indicates approximately 81% of commercial development related property will be leased, resulting in approximately 90 acres of the 112 available acres leased by the end of the 40-year study period. Also, it is assumed that 70% of aviation related property will be leased, resulting in approximately 364 acres of the 520 available acres leased by the end of the 40-year study period.

B. Revenues

Only land lease revenues and certain infrastructure fees and expenses were considered in this analysis. Other revenue sources such as taxes (inventory tax, sales tax, leasehold interest tax. or alcoholic beverage tax) were not included. Utility fees and charges collected by other utility providers, and common area maintenance reimbursements to the Trust are also excluded.

This study assumes that 90% of available acres designated as aviation land will be leased under the Aeronautical Rate Methodology, and the remaining10% of available acres designated for Air Cargo and related uses will be leased under the Air Cargo Rate Methodology. The study also assumes that 100% of available acres designated as non-aviation land will be leased under the Commercial Rate Methodology applicable to concurrent commercial developments.

The Airport Base Rent assumed for the value of Aeronautical Rents was obtained from the Minimum Standards. For the purposes of this analysis only, it is assumed that the Airport Base Rate will increase by one cent per year for 10 years and then will stabilize at $0.20 for the remainder of the 40 year analysis term.

To estimate future fair market lease rates for Air Cargo Rents and for non-aviation Commercial Rents, assumptions were made on comparable future land values in the Airport area. These assumptions were derived through the appraisals provided by RC Borders & Co. Due to the uncertainty of future land values, the present mid range fair market values were held constant through the 40 year analysis term.

Infrastructure Improvement Rent (amortized over the useful life of the improvements) was also determined to be reflected in the revenue stream for the CBA. Since Common Area Maintenance Fees reflect a reimbursement of annual operating costs, such fees are not considered revenue in the CBA.

Total revenues of $115.5 million are generated over the life of the study period.

C. Infrastructure Development Costs

The CBA details the infrastructure costs necessary to develop the property. The infrastructure costs include all utilities (water and sewer), roadway improvements and landscape improvements paid with Trust funding. The cost estimates include all soft costs (such as engineering and testing) and construction cost contingencies. It was assumed that the initial infrastructure improvements would be completed within a 10-year timeframe. The anticipated timing of infrastructure development expenditures were allocated assuming approximately 60% of such costs was incurred within the initial 5 years of the 10 year timeframe. Total project costs for the Development Area acreage are estimated to be $11.2 million.

The total Cumulative Benefit ($115.5 million/revenue and $11.2 million/cost) is $104.3 million.

D. Payback Period

The Payback period, or the time taken to recover the initial $11.2 million capital outlay as calculated using the CBA assumptions related to timing of the revenue stream and infrastructure cost outlay, is 16 years. The first positive cumulative benefit occurs in the year 2025.

E. Discounted Cash Flow Calculation

To account for risk, opportunity cost, uncertainty of cash flows, opportunity costs, and risk, future cash flows were converted into a present value through the process of discounting. Expected outlays and projected cash inflows are reduced by a discount rate (also known as the marginal rate of return on capital) of 5.5% reflecting the average rate for outstanding maturities of Airport junior lien bonds.

Using the assumptions set forth in the CBA Report, the discounted cash flow analysis for the Development Area shows a net present value of $15.4 million. Of this total, the infrastructure improvement rent has a net present value of $4.6 million.

F. Conclusion

The leasable land in the Development Area for the 40-year study period is approximately 113 acres for commercial property, 346 acres for direct aviation development with airfield access and 174 acres for indirect aviation development without airfield access. Total leasable land area is approximately 632 acres with a further 146 acres classified as a strategic reserve or for future airfield expansion.

The projected leased acreage for commercial property at the end of the 40 year lease period is 7.4 acres of office, 37.5 acres of retail, 8.8 acres of flex-space industrial, and 37.5 acres for industrial-warehouse purposes. For direct aviation related development, the leased acreage is forecast to be 218 for aeronautical uses and 24 acres for commercial air cargo. The projected leased acreage for indirect aviation property at the end of the 40 year lease period is 6.1 acres of office, 24.3 acres of retail, 30.4 acres of flex-space industrial, and 60.8 acres for industrial-warehouse purposes.

The land use mix of leased property is 3.0 percent office, 13.6 percent retail, 8.6 percent industrial flex-space 21.6 percent warehouse-industrial, 47.9 percent aeronautical and 5.3 percent air cargo.

Overall, it is projected that 90 acres will be leased in Phase 1 (2010 to 2019), 127 acres in Phase 2 (2020 to 2029) and 119 acres in Phases 3 & 4 (2030 to 2049). Approximately 323 developable acres remain for future lease (including strategic reserve land, and assuming all acres projected to lease during the 40-year period are actually leased).

The total development costs for the Airport Trust are estimated to be $11.2 million to develop the 455 acres projected to be leased during the 40 year study period. Phase 1 improvements are estimated to cost approximately $6.9 million and Phase 2 improvements are estimated to be $4.3 million in 2009 dollars. The total revenue generated from all land during the study period is estimated to be $115.5 million.

The break-even year for the initial infrastructure costs incurred in Phases 1 and 2 is estimated to be 2025 using the payback period assumptions. The net present value of leasing the property is estimated to be $15.4 million over the 40-year study period.